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LESSONS ON
PRACTICAL SUBJECTS

HUGHES & FAUCON

KD28231

Lessons

ON

/ Practical Subjects

1913.

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Lessons

ON

Practical Subjects

BY

SARAH FORBES HUGHES

AND

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Revised and Enlarged Edition

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CONTENTS.

	Page
INTRODUCTION	7
SUGGESTIONS TO THE TEACHER	11
Chap. I. WHAT IS BARTER?	13
II. WHAT IS MONEY?	18
III. SILVER QUESTION	31
IV. HOW DID PAPER COME TO BE USED IN PLACE OF COIN?	45
V. HOW DID PAPER COME TO BE USED IN PLACE OF COIN? (<i>continued</i>)	52
VI. WHAT ARE GREENBACKS?	58
VII. WHAT IS IRREDEEMABLE PAPER MONEY? AND WHAT ARE BLUEBACKS?	66
VIII. WHAT IS IRREDEEMABLE PAPER MONEY? (<i>continued</i>)	72
IX. WHAT ARE UNITED STATES BONDS?	77
X. WHAT IS A TAX?	85
XI. HIGH AND LOW TAXES	95
XII. HIGH AND LOW TAXES (<i>continued</i>)	100
XIII. WHAT IS A CORPORATION?—MILLS	106
XIV. WHAT IS A CORPORATION? (<i>continued</i>) — RAILROADS	112
XV. WHAT IS A STRIKE?	118
XVI. WHAT IS A STRIKE? (<i>continued</i>)	128
XVII. DEBT AND SAVING	135
XVIII. DEBT AND SAVING (<i>continued</i>)	143
XIX. WHAT ARE SAVINGS BANKS?	148
XX. WHAT ARE SAVINGS BANKS? (<i>continued</i>)	159
XXI. ENDOWMENT ORDERS, 1895	165

INTRODUCTION.

IN the elementary education which is given in our public schools, it is necessary that those studies should be chosen which will best fit the majority of children for the practical life into which they must enter. With most children that life begins when they leave the grammar schools, and whatever education they are to have (using the word education in the limited sense of school instruction) they receive while there. Therefore, the determining of the course of studies becomes of great importance.

The question is chiefly one of selection; and should we not consider whether, in our public schools, the more essential studies are not sometimes sacrificed and crowded out for the less useful ones? Will the ability to name the vegetable and mineral products of Uruguay and Turkey be as useful to a boy throughout his life as a knowledge of some of the more important laws of health? or help to

make him as good a citizen as a few sound ideas on government and economic laws ?

In watching some of the phenomena of American politics, it is plainly seen that a great body of our voters — and often of our legislators, too ! — are lamentably ignorant of even the simpler laws underlying the social and financial questions of our age. One well known example of such ignorance is the Greenback delusion of 1873 and 1874. There would also seem to be in the minds of many people a very vague idea as to the sources of government revenues ; and, resulting from this, an apparent belief that the United States government has absolutely unlimited supplies of money at its command, and that no harm can come to the country at large from a lavish expenditure of this public money. Other misapprehensions of this nature are not far to seek.

It is impossible to suggest a panacea for such evils, and of course long years of experience are the most efficacious teachers on these subjects. But though political economy is a science all the data of which are by no means as yet known, some few of its laws appear to have been sufficiently well established to act as guides in every-day life.

In view of this fact, it has occurred to us, that, if a few of the more practical questions dependent on these laws could be treated in a way simple enough for a child to comprehend, it might be possible to give our school children right ideas at the outset. If this could be done, the graduates of our schools, when called upon in after years to vote on social or financial subjects, might not be so wholly unprepared as they often are now.

As a first step to this kind of instruction, we have tried to put the following lessons on money, banks, etc., in a form available for grammar schools, where, as we have said, the school life of the majority of the children ends. It is easily seen that children find it difficult to grasp an abstract idea; we have, therefore, tried to make the whole work as little complicated as possible, emphasizing principles rather than details, and making use of simple language and frequent repetition. For the same reason, we have avoided the complicated history of money by using sometimes purely mythical cases, and have tried to deal only with those principles which seem, as we have said, to have been well established, leaving out disputed points as far as possible. We have pur-

posely left untouched the intricate workings of moneyed corporations, and exchange, — assuming that the United States government always sells its bonds at par, and greatly simplifying the process of paying off the bonds, and also assuming that our corporation sells its stocks and bonds at par, — because we felt that extensive explanations would hopelessly confuse a child's mind, and prevent its retaining any clear ideas whatever on these subjects. A few facts we have tried to emphasize especially; such as, that money follows fixed laws, which cannot be broken with impunity by any government; that harm is done to all — and most of all to the poor — by extravagance in the use of public money; and that actual evils often attend the contracting of debts.

SUGGESTIONS TO THE TEACHER.

THE following lessons on matters concerning everyday life are designed for the teacher's use among the older children of our grammar schools. Not wishing to burden them with another separate study, we have tried to combine our work with that of composition writing (which already forms a part of school instruction), intending that the different topics shall be taken as subjects for that exercise. As a rule, the lessons will probably not be intelligible to children under twelve, and, in any case, it will be necessary to proceed very slowly and carefully in giving them to the advanced classes.

Our plan is as follows:—Let the first chapter be read to the children slowly, and with any additional explanation, or illustration, of the subject that may occur to the teacher. The teacher may then ask the questions¹ given at the end of the chapter, or may test the children's understanding of what has been read in any way that commends itself.

It is suggested that on the following composition day the children shall hand in abstracts of the lesson. The

¹ The questions are all numbered, and in the text the corresponding number is affixed to the paragraph containing the answer.

best of these may be read before the class, and the scholars asked to criticise them. If the subject appear to be fully understood, the teacher may go on to the next lesson ; if not, it would be well to read the first one again, and question the children ; and if it seems desirable, they might write again on the same subject.

But it is not thought best to have them learn the lessons by heart, as what is learned mechanically is generally soonest forgotten.

Thus let each lesson be treated in turn, with such reviews as may be necessary to make the children retain the main points clearly in their minds.

It is further suggested, that, whenever it is possible, the teacher should illustrate the lesson by facts and statistics of local interest, thus giving the exercise something of the force and value of an object lesson. Town reports and almanacs may be useful for this purpose.

If any of the scholars show a special aptitude for or interest in such studies, they should be directed by the teacher to more advanced and thorough treatises on these subjects.

LESSONS ON PRACTICAL SUBJECTS.



CHAPTER I.

WHAT IS BARTER ?

IN all civilized countries people are so accustomed to the use of gold and silver money, that they seldom stop to think that there was once a time when these precious metals were not used in buying and selling.

We will try to give you some idea of how people managed to get along without money in those old days,—how they first felt the want of it, and how at last gold and silver came to be used for that purpose.

In the earliest ages of the world every man ¹ hunted and fished for himself, made his own weapons and such clothing as he used, and did not buy or sell anything. But if one man had ² collected more bear-skins than he needed and wanted some venison, he looked about for some other man who had more venison than he needed,

and then the first man exchanged his extra bear-skins for the other man's venison.

3 This process of exchanging goods is called barter. It is the simplest kind of trade, and is still the only way of doing business among some savage tribes. Very likely some of the boys present have exchanged, or as they would say "swopped," knives for fish-hooks, tops, or marbles. This is really bartering, and it is the way in which our ancestors did all their business centuries ago.

4 But by and by there came to be more people in the world, and they used more kinds of things. It was not always easy to find two persons who wanted each other's goods. For
5 instance: "A tailor has only clothes to sell. If he wanted a loaf of bread, and barter still prevailed, he would have to offer a baker some article of clothing—a coat, for instance—in exchange for bread. But probably the baker would have all the coats he needed. He might say he wanted a stove. Then the tailor would have to find a stove-maker who was willing to exchange a stove for a coat, get a stove in this way, and then give the baker the stove for the bread. If he could find no such stove-maker, he would have to hunt for another baker. He

might starve before he could find any person having bread to sell who wanted a coat.”¹ Though there were no such things as stoves in the days of which we speak, there were other things which could be bartered; and you can easily see that people were sometimes put to a great deal of trouble in trying to exchange the things they did not need for others which they did need. They began to wish for some *one thing* which everybody would be willing to take in exchange for his goods,—knowing that he could exchange it again for anything that he wanted.

At last, cattle came to be used for this purpose; for at one time these animals were the most useful and valuable possessions of a people. They gave men hides for tents and clothing, meat to eat, and milk to drink. They could be moved from place to place with care and time, and would last for some years. A man's wealth was then reckoned in cattle; for instance, instead of saying, “He is rich, he is worth ten thousand dollars,” they said, “He is rich, he owns a thousand cattle.” People were willing to exchange their goods for what

¹ Primer of Political Economy, by A. B. Mason and J. J. Lalor, page 52.

was worth so much, and in this way cattle came to be used as a help in making exchanges. At this time, if a man had bear-skins he was not obliged to wait until he could find a man who wanted to part with his venison, and at the
10 same time wished a bear-skin, but he could sell his skins at once for cattle, and then could sell his cattle for venison. The owner of the venison might not want bear-skins, but he would be
11 quite willing to take cattle in payment for his venison, knowing that he could readily exchange his cattle for any article he did want.

We have said that people felt the need of some one thing, which everybody would be willing to take in exchange for his goods. Suppose
12 they had settled on gravel or earth as this one article, and had said, "If a man wants to exchange a coat for a pair of shoes, let him take a bushel of gravel for the coat, and then exchange the gravel for the shoes." You can easily see that this would be absurd; for men would not be willing to exchange their coats and shoes for something of so little value as a bag of gravel. Would any boy present exchange a four-bladed knife for a handful of pebbles? It is clear, then, that people must
13 have something in exchange for their goods,

that is worth more to them than the article they wish to sell.

As cattle were the most useful and valuable articles they owned, they used them as their means of exchange; and by using a means of exchange, or, as people say, a "medium of exchange," a great deal of time and trouble is saved.

Questions on Chapter I.

1. How did men live in the early ages?
2. How did they manage to get articles they wanted, if they had no money to buy them with?
3. What is barter?
4. As there came to be more people in the world, what trouble arose in bartering?
5. Who can tell about the tailor who had clothes to exchange?
6. What did people begin to wish for, in making their bargains?
7. What means of exchange did they use at last?
8. Why did they take cattle?
9. Why was every one ready to exchange his goods for cattle?
10. How did they then make their exchanges?
11. Why was it easier to make exchanges by means of cattle?
12. Why would not gravel have answered as well as cattle?
13. What do people always want in exchange for their goods?

CHAPTER II.

WHAT IS MONEY ?

IN the first chapter, we have seen how people felt the need of having some one article to use as a medium of exchange for their goods, and how they came to use cattle for this purpose. We will now show what difficulties arose from the use of this medium.

1. Although the use of cattle as a medium of exchange was more convenient than the plan of barter, as time went on new difficulties came up. Cattle were liable to be sick, or killed by accident. It was troublesome to drive them long distances, and not easy to make small purchases with them.
2. For instance, a man with plenty of cattle wished a few fishhooks. But an ox was worth hundreds of fishhooks. It would not do to cut a piece off the ox, for that would injure the whole animal; nor would it be worth while to

kill him, and give a little of the meat for the fishhooks. For if the owner of the ox only wished to buy fishhooks, the rest of the meat might spoil before he could eat it up, and the ox be wasted. So unless the man was willing to take a whole ox-worth of fishhooks, he must have something else besides cattle for money; that is, he must give something else in exchange for the half-dozen fishhooks which he wanted.

So men found that they needed a medium ³ of exchange, which could be divided without making it worth less, and also something that was not so easily injured as cattle. Then they said: "We need for a medium of exchange ⁴ something that is useful and valuable, and that every one will be willing to take in exchange for his goods; something not easily injured, and that will last a long time; something that is easy to carry about; something that can be easily divided without harming it, so that we can buy things of small value with it, as well as things of great value."

Cattle are valuable, but they cannot be di- ⁵ vided without being killed; and they cannot easily be moved long distances. Pebbles,

though durable and easily carried about, are of little value; therefore they would not be useful as a medium of exchange. Food of various kinds is most valuable. Some kinds of food (apples, for example) can be easily carried about, and be readily divided; but they would soon spoil.

6 At last people hit upon the plan of using metals in place of cattle, and we will suppose that the first one they tried was iron. Let us see if it had the qualities to make it a good medium of exchange. It was valuable, and the most useful of metals. It was rare: not to be picked up like pebbles, but got by hard work. Iron could be easily divided without injuring its value; therefore it was better than cattle to use for a medium of exchange. While there was so little of it in the world, each piece had a great value, and therefore not much was needed to make large purchases; enough could be easily carried about to buy all a man wanted; while it could be so much divided that he could buy things of small value as well as things of great value with it. Lastly, it would keep far better than anything that had been used before.

7 So we will suppose that men took iron for

their medium of exchange, and made it into pieces of a certain size and weight. Then, instead of saying, "This horse is worth twenty bear-skins, or three head of cattle," they now said, "This horse is worth twenty-five pieces of iron; this goat, ten pieces; that tent, fifteen." And now, if a man owning goats wanted a tent, he sold a couple of them for twenty pieces of iron, and bought his tent for fifteen pieces, keeping the extra five pieces for anything he might wish. Thus men could now measure the value of their property by pieces of iron of a certain size and weight.

Formerly, when a man said his fine horse cost him six head of cattle, you could not tell whether they were fat cattle or lean, whether they were healthy or diseased, young or old. One ox might be worth twice as much as another, or an ox that to-day was valuable would fifteen years hence be old and useless. But iron was an *almost unchanging measure* of the value of all other articles. The iron pieces were all of the same size, and one piece was worth as much as another, and one piece was as good to-day as a year ago. So when a man said his horse cost him one hundred pieces of iron, people knew just how valuable the horse was.

As years went by, however, more iron was discovered, and thus it became plenty ; and because it was plenty and easier to get, people did not value it so much, and would not exchange a bear-skin for the same number of iron pieces as before, but demanded more ; until, as iron grew very plenty, so many pieces had to be given in exchange for a single article, that people had to carry about a great deal of iron to make their purchases. Such quantities of iron were too bulky and troublesome to use every day in buying and selling. One bad quality it had always had : it rusted, and so wore out, not quickly as cattle grow old, but by degrees.

Then men said, "What must we have for money ? no one wants to exchange his goods for this heavy iron, which is so troublesome to carry about in large quantities ; and small quantities of it will buy nothing of value ; besides, it rusts. It is as useful as ever, but we must have something that is not so easily got, and a small amount of which will buy a great deal, because it is rare."

People were glad to have iron ; for they had learned to make it into pots and kettles, swords and spears, so that it was even more

useful than before. But when they had to take such quantities of it to make their exchanges with, it lost one of the qualities which, you remember, made iron a good medium of exchange ; namely, that it should be something easy to carry about.

Gold, copper, bronze, silver, and perhaps other metals were used, but among all that were tried, gold and silver proved to be the best.

These metals were useful in some ways, and 15 they were much valued for ornaments. They were not easily injured, like cattle, and could be readily carried about ; they could be divided into small pieces without injuring their value, and their value did not change from day to day, but was always about the same ; they did not rust, like iron ; they were very rare, and men had to work a long time in the mines before they could get even a small pile of gold. Silver was not so rare as gold, but in those days it was very precious and hard to get, and there were only a few places where it was known that either of these metals could be found.

For a time, gold-dust, or lumps of silver and 16 gold, were used to exchange for food or clothing ; but it was very inconvenient to have to stop to weigh out gold or silver for each purchase

that was made ; besides, people did not always give fair weight.

To save all this trouble, the gold and silver
17 were made into pieces of different sizes, which represented different values ; and all the pieces of the same value were of the same size and weight. These pieces were stamped to show how much gold or silver was in each, and were called *coins* ; and the coining gradually came to be done by the government, in a place called
18 the mint. We now call these coins money.¹

And so it was that gold and silver came to
19 be used as a measure of the value of all other articles, and as a medium of exchange.

We will point out to you still another advantage in using gold and silver. They were valued not in one country alone, but in all
20 countries where they existed ; and you can easily see how it would help in making exchanges of goods to have the same article used for a medium of exchange all over the civilized world. For example, suppose one
21 country used rare shells as a medium of exchange, and another one used bright-colored feathers. Yet the natives of the first country might not care for feathers in exchange for

¹ Let some child look out the derivation of *money*.

their goods, and those in the second country might consider shells as rubbish, and refuse them in exchange for their goods. In this case, the people of these countries would have the same trouble in making their exchanges, that the tailor did who wanted a loaf of bread in exchange for a coat. Now, if both countries used gold, the people of each would readily receive it in exchange for their goods, because it would be equally valued in both, and could be used in making their purchases at home.

We have tried to make you see why gold and silver are the best metals to use for a medium of exchange, and so, when we speak of their great value, we mean that they are valuable principally because of this use. On account of their beautiful colors, and capacity for taking a high polish, gold and silver are also valued for ornament, and they are used for many other purposes.

Still, in most of the useful arts we could more easily spare gold and silver than iron and 22 steel. If all the silver spoons and gold breastpins were swept into the sea, we could still live quite as well, and eat with iron or steel spoons, and use iron breastpins. But suppose all our iron and steel were swept into the sea. Then

we could only plough with wooden ploughs ; we could hardly cut trees to make the wooden ploughs. We could not have spades, axes, or carpenter's tools, because silver and gold alone are too soft metals for such uses ; besides, they are too scarce, and we have not gold and silver enough in the world to have ploughs and axes made from them, even if they were the best metals for those purposes.

- 23 We are right to prize gold and silver *as a medium of exchange, or money*, because, as we have shown you, they are the best articles that have yet been found for this purpose, and save great inconvenience. You will easily see, however, from what we have said, that their *chief value* is as a medium of exchange. If you were in some spot where there was nothing to exchange, for instance, on a desert island, which
24 would help best to keep you alive, — three bags of gold ; or a bag of potatoes, a bag of corn, and a good iron spade ?

When we think of these things carefully, we shall find that the articles we *need* most are those which we value most, — all, in fact, that we need to warm, feed, and clothe ourselves with ; such as corn, meat, wood, coal, leather, etc. And, as we have explained before, it is

because of the inconvenience of carrying these things about to exchange for one another, that men have agreed that gold and silver shall be carried about instead, and used as money in buying and selling.

Now let us see, once more, if gold and silver have all the necessary qualities for a measure of values and a medium of exchange, or money.

- 1st. They are useful for various purposes. ²⁵
- 2d. They are rare, and cannot be obtained without labor, and therefore people are willing to take them in exchange for their goods.
- 3d. They are durable, that is, they last a long time.
- 4th. Their value changes little from year to year.
- 5th. They can be easily divided without lessening the value of each part; for a pound of gold is worth just as much made into dollars as it would be in one lump; and a twenty-dollar gold piece is worth just as much as twenty one-dollar gold pieces.
- 6th. They are also valued all over the civilized world as a medium of exchange.
- 7th. They have a great deal of value even when in small pieces, and so it is easy for people to carry about all that they need to make their exchanges with.

To sum up all in a few words : " As people first used cattle and other valuable things to

help them in making exchanges of goods, so now exchanges are made by means of gold and silver money." As "lengths are measured by inches, feet, yards, etc.; weights, by ounces, pounds, etc.; time, by minutes, hours, days, and years;" so "values are measured by money. Money, therefore, may be defined as a *medium of exchange* and a measure of value."

Owing to the quantity of silver discovered recently it is not as good a measure of values as it was. It is getting to be, like iron, too cumbersome to carry about and use, so that perhaps by and by we shall use only gold for our measure. But this is a question to be thought and talked about in the years to come.

Questions on Chapter II.

1. Why did not people keep on using cattle as a means of exchange?
2. What was the trouble in buying things of small value with cattle?
3. What other qualities, then, must their means of exchange have?
4. Name the qualities that men found were needed for a good medium of exchange.

5. Give the good and bad qualities, as mediums of exchange, of cattle ; of pebbles ; of apples.

6. What may we suppose that people took in place of cattle for their measure of values ?

7. What could they have done to the iron, to make it more convenient to use as a medium of exchange ?

8. If iron was thus divided, how could people measure the value of things ?

9. Give another reason why cattle proved an unsatisfactory measure of value.

10. Why would the iron pieces have been a better measure ?

11. What effect did the discovery of more iron have on the buying and selling ?

12. What trouble arose from carrying about so much iron money ?

13. Iron had one poor quality as a money : what was it ?

14. Name two qualities that men found their medium of exchange needed.

15. What made people think of gold and silver, and choose them for a medium of exchange, instead of lead, or anything else ?

16. In what shape did people use gold and silver in making their exchanges ? Why was this inconvenient ?

17. What was afterwards done to these metals to make them more convenient to use for this purpose ?

18. What are these coins called ?

19. So gold and silver came to be used for what ?

20. Why is it an advantage to have a common medium of exchange all over the world ?

21. Give an example.

22. Which metal could we best do without, in the useful arts, gold, silver, or iron? Why?

23. Why are we right to prize gold and silver as a medium of exchange?

24. If you were on a desert island, what articles would be of most value to you? Why?

25. Name now the seven qualities that a medium of exchange must have.

26. How do we measure lengths, weights, etc.?

27. Then what is money?

CHAPTER III.

SILVER QUESTION.

WE have told you in Chapter II. that some years ago silver had already become much less valuable as money. So much of it had been found, that if enough silver bullion had been put into a dollar to make it equal in value to a gold dollar, it would have been too bulky to carry about in masses, and use as money. We shall now try to explain how, even since 1884, silver has grown less and less useful as a measure of value, or money.

From 1870, onward, more and more silver mines were discovered, — in Colorado, Nevada, New Mexico, and elsewhere. The owners of these mines found that the more plentiful silver became, the greater was the amount needed in a silver dollar to make it equal in value the gold contained in a gold dollar. Of course the owners of a silver mine have to pay their workmen, and buy tools and machinery, just as a farmer has to pay his hired men, and

buy wagons, ploughs, seeds, and grain; and if silver is so plentiful that it will not sell for a good price, it does not pay the mine-owners to get it out of the mine.

- 2 It then occurred to some of these mine-owners that if they could get the United States government to buy a certain amount of their silver every year, it would prevent so much being sold in the markets of the United States and other countries, and that this would keep up the price of silver. In plain words, the mine-owners wanted the United States government to buy silver at a price that would enable them to go on running their mines at a profit to themselves.

These mine-owners wished the United States to take \$2,000,000 worth (and more) of silver every month, and the rest of the plan was, that the United States should not only do this, but should give papers promising to pay silver dollars, called silver certificates, to these mine-owners in payment; and such silver certificates were to be taken by every one in the United States for all debts, public and private. Now here lay the mistake of this proposed bill.

3 The silver dollar was not worth a gold dollar, and was daily growing less in value. In forc-

ing people to take either silver dollars, or papers promising to pay silver dollars, the government was binding itself to keep the gold and silver dollars equal in value, while in fact they were not so.

To do this, it must save enough gold to give⁴ people gold dollars for silver dollars, when they require it. To save gold enough, either the people had to be taxed expressly for this purpose, or gold money had to be borrowed; and borrowing means a debt to pay in the future. In either case the people pay the difference between the value of the gold and silver dollar.

Nevertheless, in 1878, these men got Congress to make a law (called the Bland Bill,⁵ because a man named Bland was much interested in getting it made a law), obliging the government to buy every month not less than two million, nor more than five million dollars' worth of silver. When this bill went to President Hayes for approval, he saw that if it became a law, it might make a few men rich by providing a steady market for their goods (that is, their silver bullion), but that it would be bad for the greater part of the people. So he vetoed¹ it; that is, refused his consent to its be-

¹ Explain this word.

coming a law. When a President vetoes a bill, it is sent back again to the Senate and House of Representatives, and if two-thirds of the members still vote for the bill, it can become a law against the President's wishes. This is called passing a bill over the President's veto. Two-thirds of the Senators and Representatives did vote for this Bland Bill, and it became a law.

7 Now why did Congress pass this law? There were several reasons. One was, as we have said, that the men who were interested in the mines wanted it. But besides these mine-owners, there were many people who believed that the more money a country has the richer it is, and everybody in it. These people voted for men who believed so too, and succeeded in electing many of them to be members of Congress.

We have already explained to you that if either gold or silver should be found in large quantities and rapidly produced, it would grow less valuable as a measure of value. As we have said, it is a common idea that the more money a country has the richer it is; but you must remember that it is not the quantity, but the *kind* of money that is of most importance. A metal, whether gold or silver, must first be steady

in value ; that is, its value must practically be unchangeable, before it can become a good measure of value of all other goods, and therefore valuable as money.

It so happened that silver was the metal that was suddenly found in great quantities,⁹ and its value as a measure, or money, grew quickly less ; that is, in order to buy enough grains of gold to make one gold dollar, you had to give at first enough silver bullion to equal \$1.12 in silver, then \$1.25, then \$1.50, afterwards \$2.00, till in 1895 it took about \$2.12 in silver bullion to buy enough grains of gold to make a gold dollar. Is a man better off when he has \$2.12 in silver bullion, or when he has \$1.00 in gold ?

But still people clung to the idea that numbers of dollars constituted riches, no matter what the dollars would buy of food, clothes, etc. ; and so, many people who did not understand the real value of money were rejoiced that the owners of silver mines wanted the government to buy silver, and the Congressmen were pleased to do as those who chose them wished. So they voted to make the government buy the \$2,000,000 worth (and more) silver a month.

Besides the owners of the silver mines, and the men who believed that the more money a country has, no matter of what kind, the richer it is, there was a third set of men who wanted a cheaper money. These men had borrowed gold dollars to carry on their business with, and longed to be able to pay their debts in a cheaper
11 money ; that is, in silver. We will try to explain how this law would work. Suppose a boy named Henry Hill had borrowed of James Pierce ten gold dollars, promising to pay him back, in *coin*, in five years. Before that time was up, a great deal of silver had been found. With ten gold dollars Henry Hill could now buy silver bullion enough to make twenty silver dollars, or, he could get silver enough to pay James ten dollars in silver, and keep ten dollars himself.

Let us see what James has been doing. He had asked the captain of a vessel trading with Europe to buy him ten dollars' worth of goods in France, as he wished to sell them again here, and would have the money ready when the captain came back. The captain spent ten gold dollars in buying the goods, and brought them to America just as James was expecting to get his ten gold dollars back from Henry. But instead of gold

dollars, Henry paid James silver dollars, and James *had* to take them, according to the law. James then gave the ten silver dollars to the captain; but the captain refused to take them. He said: "These silver dollars will only pay for half the goods I bought in France, or five gold dollars' worth. In France, England, and Germany, they won't take a silver dollar as equal to a gold dollar when it really is not, and in any one of those countries it will only buy half as much as a gold dollar will." Now what was James to do? He had honestly meant to pay his debt to the captain, and he knew that Henry had owed him enough money to enable him do so. But James had really been paid only half what was owed to him by Henry, though the gold and silver dollars were each stamped \$1.00. You see that the silver dollar of the United States would no longer buy in any European country the same amount of goods.

James had to sell his goods as soon as he could, but he was paid for them in silver dollars by the purchasers. Then James had to exchange the silver dollars for gold ones before the captain would take them, and in exchanging his silver for gold, he had to pay two silver dollars for every gold dollar that he needed to pay his

debt to the captain. Consequently, he did not make much on his sale.

- 12 After a time, when a country has two metals like gold and silver for money, and when gold and silver coins of the same denomination are not actually of the same value, the most valuable (which at present is gold) will gradually have to be sent to Europe to pay for what we buy there, while the cheaper metal stays where people are forced by law to take it in payment of what is owed to them.

By and by it comes to pass that there is no gold left. Then those who owe money can no longer borrow gold and pay back in silver, as Henry did in his business with James; they have to borrow silver and pay back in silver. But this change comes about by degrees, and so people do not realize it while they are buying and selling at home. It is when they are doing business with other countries, like England or Europe, that they are forced to see the difference, because then they have to pay two silver dollars for every gold dollar's worth of goods bought; or more, if silver has been growing more plentiful. And yet, at the same time, in the United States, they must receive silver in payment for what they sell.

When this is the state of things, the only way ¹³ in which people can carry on business is to charge more for their goods. The prices of all goods rise, and poor people are no better off with their two or more silver dollars than they were with one gold one. If now James bought his goods in France, instead of selling them at the price he did at first he would put the price up. If asked by a customer why he did this he would answer : " Because your silver dollars are not worth what gold ones are. I paid for these goods with gold dollars, I must sell them for enough silver to equal what I paid for them in gold ; and a little more to pay me for the trouble and expense of getting them here and selling them."

These facts were not clearly understood, however, by the American people. Their chosen representatives in Congress, urged on by silver mine-owners, and by debtors wishing to pay their debts in silver, proposed to pass a new law ¹⁴ which should give to any man who owned silver bullion the right to bring it to the United States mint, and have it coined into silver dollars. Each dollar was to contain as many grains of silver as when the first bill was passed ; that is, 412½. But you must remember that silver

had fallen in value in the mean time, so that instead of being worth one hundred cents in gold, the $412\frac{1}{2}$ grains were now worth about fifty-two cents in gold.

- 15 This was called the Free Silver Bill, and was brought forward by Mr. Bland. Had it been passed, every man who brought silver bullion to be coined would have received a silver dollar for an amount of silver which was worth only fifty-two cents, or less, in gold, and he could have paid all his debts in silver dollars. We will illustrate this by supposing that a man,
- 16 named Mr. D., had loaned one hundred gold dollars to an owner of silver bullion, whom we will call Mr. Q. Had the free silver bill become a law, Mr. Q. could have paid Mr. D. back in silver dollars; that is, he could have returned one hundred silver dollars to Mr. D., which would have been worth forty-eight dollars less than the one hundred dollars in gold Mr. D. had loaned him. Should you like to lend gold and be paid in silver in this way?

- Mr. Bland's bill came very near becoming a law, but finally, after much talk, a bill called
- 17 the Sherman Bill was passed in its stead, which obliged the government to buy \$4,000,000 worth (and over) of silver a month, instead

of the smaller sum. This bill was passed in 1890.

After this, the government had to buy more silver and more silver; but it had to be stored and guarded in the United States Treasury vaults. No one wanted it; partly, because large quantities could not be carried about conveniently, but mainly because the value of the silver dollar and the gold dollar was not the same. If you melted a gold and silver dollar and then wanted to buy gold, your lump of one hundred cents in silver would only buy from forty-eight to fifty-two cents' worth of gold. And a man wanting one hundred dollars' worth of goods in Europe would have to send that amount in gold, because one hundred silver dollars would only buy goods worth \$48 to \$52 in gold in England, and most other European countries.

By and by the United States people came to see that they were piling up this silver bullion to no purpose, and in October, 1893, the Sherman Silver Bill was repealed; that is, it was voted that it should cease to be a law. Now, the government is no longer bound to take hundreds of tons more silver than the people can use, for the benefit only of the owners of

silver mines, and of men who want a cheap money with which to pay their debts.

- 20 We have explained that one reason which made gold and silver good measure of the value of all other articles, was the fact that these two metals changed less in value than any others at present in use ; but as soon as silver was found in much larger amounts than formerly, its value grew rapidly less. Suppose that in a country where there were six herds of cattle, suddenly six more of equal size were driven in. In this case would each cow be worth as much to exchange for other goods as when the number of cows was only half as large ? Again we say, Beware of "cheap money" in any form.

- 21 As to silver, find out how much gold it will buy ; that is, how many grains of silver must be given for enough grains of gold to make a gold dollar. Look in the markets of the world to find this out, as well as in America, and then you will learn what the value of one is as compared with the other ; and you will not be pleased if you are paid a silver dollar, whose buying power is worth only half that of a gold one, nor will you help to make laws which will make this way of paying debts possible.

Questions on Chapter III.

1. What happened, from 1870 on, with regard to the discovery of silver?
2. What did the owners of silver mines wish the government to do for them when silver had become more plentiful?
3. Was the silver dollar now equal in value to a gold dollar?
4. What would the government have to pledge themselves to do, if they complied with the wishes of the silver mine-owners?
5. What was the Bland Bill?
6. Did President Hayes approve of this bill?
7. Why did Congress pass this law?
8. Can you remember what it is which makes a metal a good measure of value?
9. When silver was found in much larger quantities did it retain its value as a measure, or money?
10. How many classes of men were there who supported the Bland Bill, and why did they support it?
11. Explain how the law worked, by the story of Henry Hill and James Pierce.
12. When the law of a country forces its people to use gold and silver coins of the same denomination, which are not really of the same value, what becomes of the more valuable metal?
13. How would those people who bought goods in foreign countries, to sell here, make their business pay?
14. Explain what was proposed by the Free Silver Bill.
15. What would have happened had this Free Silver Bill been passed?

44 LESSONS ON PRACTICAL SUBJECTS.

- 16. Explain, by story of Mr. D.**
- 17. What was Senator Sherman's bill ?**
- 18. What was the result of Senator Sherman's bill ?**
- 19. Why was the bill repealed, and when ?**
- 20. How do you test the value of your money ?**

CHAPTER IV.

HOW DID PAPER COME TO BE USED IN PLACE
OF COIN ?

HAVING told you how and why gold and silver came to be used as money, it now remains to tell you how and why paper came to be used with them as money. We shall not try to tell you how any one country came to use paper, or, as it is commonly called, *paper money*, in place of coin ; for it would be hard to give an exact account of it, and harder still for you to follow such a history. But we will try to make you understand how paper money is used ; and, in order to make the matter clearer to you, we will suppose that there was a country called No-Man's-Land, and explain to you how the government of that country came to use paper instead of coin.

As you probably know, a government has need of soldiers and sailors, and many officers of all kinds. All these men must be paid for their services. The money for this purpose is generally raised by taxing all the people of a

country, because these soldiers, sailors, etc., are employed to protect the whole country.

2 You can easily see how difficult and dangerous it would be to send sums of gold and silver over a large unsettled country to pay these men wherever they were. We will suppose, therefore, that the government of No-Man's-Land found the following way out of the difficulty.

3 A quantity of paper was cut into pieces of the same shape and size, and on each of these pieces two things were printed: first, a number, showing the amount of coin the paper was to stand in place of; second, a promise that, whenever the owner of this paper wished, the government would give him in exchange for the paper whatever sum of coin was promised on it. These papers were used instead of coin, and sent all over the country. Gold and silver to the amount of the paper in use was kept in the government treasury, where it was safe; while the paper money was carried about easily and with less risk. The promise of the government to pay coin, which was on this paper, was held to be as good as the money itself, so people were quite willing to use the paper; moreover, it was much more convenient to handle. But you must remember that the

paper was not really money, only a promise to pay gold or silver money.

The government having promised to give coin for the paper whenever the owner of the paper wanted it, coin for that purpose had to be kept on hand. This coin was got by taxing all the people of the country every year, and was kept in one place, called the Treasury.

If a thousand dollars of paper money were in use, or, as we say, in circulation, then a thousand dollars of coin were kept in the treasury ready to be exchanged for the paper money. If a man had some paper money, and for any reason wanted coin instead of it, he carried his paper to the treasury and received for it the same sum in coin. This was called *redeeming*¹ paper money. Thus the government of No-Man's-Land redeemed its promise printed on the paper. Whenever any of the paper money had been redeemed, it was at once destroyed.

But you must not forget that we have only been supposing the existence of such a government as that of No-Man's-Land, and that it used paper money in the way we have described, — though that way is probably the safest in which

¹ Require the child to look out this word in the dictionary, and define it to the class.

it can be used. Now we shall speak of what has really happened.

Paper money has been in use a great many years, and real governments have found that only a part of the paper money in circulation is brought to the treasury every year to be redeemed; consequently, they keep on hand only enough coin to redeem whatever paper is likely to be presented, and at the same time they provide means for collecting more coin in case it should be needed. People are willing to use the paper money of such governments, because they trust in the power of the governments to add to the supply of coin whenever necessary (by taxes, or any other means).

We wish to point out to you here, that, when a country had once adopted the use of paper for money, there was this danger in using it; viz. people forgot after a time that it was not really money, but only something used in place of money; they forgot that it had no value in itself, but was made valuable only by the promise of the government that coin should be paid for it whenever the owner wished it, and by the power of the government to fulfil this promise.

We have seen how paper money is used as a convenience, and have learned that it had no

value except as a promise to pay something valuable. In the history of the world there are many accounts of rulers who, because they had spent their gold and silver, have tried to make themselves rich again by making money out of such cheap substances as leather or paper. They have fancied that they could force their subjects to use this cheap money if they merely stamped it with the royal seal, and declared it to be money. These rulers never meant to redeem this money with gold or silver. Their plans, however, never succeeded.

Long ago, in the middle of the fourteenth century, the Emperor of China had a kind of paper made from the bark of a tree, and stamped it with the royal seal. Whenever he bought any article of his people, or paid his soldiers, he obliged them to take this paper money. At first, he paid part of his debts in coin, and part in paper; but by degrees he came to pay them all in paper. He saved no gold to redeem his paper with.

Thus more and more paper money came into use. But, in spite of the Emperor and his seal, when his people found they should never get gold for their paper, they asked more paper money for each article they sold, until at last it took one thousand pieces of paper money to buy as much

of any kind of merchandise as could be bought by one little copper coin, called a "cash."

All the despotic power of the Chinese Emperor could not force his people to sell their hardly earned property, or give their work, in exchange for a paper money that was worth so little. So the Emperor was obliged to return to the use of gold and silver money in his empire.

You see, the Emperor saved no gold to exchange for the paper, and he never at any time meant to save any.¹ He wanted rich food and clothes, and did not wish to pay for them in coin; but as paper depends on gold and silver for its value, when there was no gold and silver, and no hope that there would be any saved at some future time, there was almost no value to the paper.

To force a man to take a handful of gravel in exchange for a barrel of potatoes might be possible; but the man would not do it if he could help himself. It is equally difficult to force him to sell his potatoes for a handful of worthless paper; if he can, he prefers to keep the potatoes.

¹ The teacher might here mention what a check is; and explain, by way of illustration, that, if a farmer had money in a certain bank, he could pay his laborer by giving him a check on that bank; but that, if the farmer had no money in the bank, a check on that bank would be worthless.

Questions on Chapter IV.

1. What article did the government of No-Man's-Land use to do the work of gold and silver?
2. Why did not the government of No-Man's-Land want to use gold?
3. What can you tell about these pieces of paper?
4. What was the result of making paper do the work of coin?
5. What arrangement did this government make for redeeming the promise of their paper?
6. How much gold did the government keep in the treasury?
7. What is "redeeming" paper money?
8. What became of the paper after it was redeemed?
9. What is the difference between the way in which the government of No-Man's-Land and some real governments provide for redeeming their paper?
10. What should people be careful to remember about the real value of paper money?
11. What was it that gave this paper money its value?
12. Why have rulers often tried to make their peoples use other substances in place of coin?
13. What did the Chinese Emperor use instead of gold or silver money?
14. Why did his people take this paper money?
15. When the people found that they could never get gold for this paper, what change did they make in their bargains?
16. What was the Emperor obliged to do? Why?

CHAPTER V.

HOW DID PAPER COME TO BE USED IN PLACE
OF COIN? — (*continued.*)

- Y**OU must remember that gold and silver are valuable as money, because they
- 1 have these necessary qualities, viz.: 1st. They are useful for various purposes. 2d. They are rare, and cannot be obtained without labor, and therefore people are willing to take them in exchange for their goods. 3d. They are durable, that is, they last a long time. 4th. Their value changes little from year to year. 5th. They can be easily divided without lessening the value of each piece. 6th. They are valued all over the civilized world as a medium of exchange. 7th. They have great value in small bulk; and for this reason they are convenient to carry about to make the exchanges with.
- 2 Now, has paper money all of these qualities? Certainly not. It can be easily and cheaply made, and it wears out rapidly, so it has little

value in itself. Then, clearly, paper money cannot be valuable for the same reason that coin is. If you remember rightly, it is the ³ promise on it that makes paper money valuable. *More than this*, people must have good reason to believe that a government will keep its promise. The paper money of a government that only paid with promises, and never kept them, would be worth nothing.

What provision ought a government to make for the keeping of its promises? A government, as you know, has a right to tax its people to pay for its expenses, and it ought ⁴ to save a portion of the coin received every year from the taxes to exchange for its paper money. So paper money is valuable only when there is coin carefully kept to redeem it according to promise.

But suppose all the gold had been spent on a war, and therefore there was none in the treasury; and suppose that the people were too poor to pay taxes, so that there was no supply of gold coming into the treasury to redeem the paper money with. In this case, could the paper money be redeemed? Of course it could ⁵ not; and so, like the Emperor of China's paper money, it would be good for nothing, and would buy nothing.

Perhaps this will be more easily understood, if we illustrate it by the story of four boys, Jack, Will, Fred, and Walter, and their friends. These boys were in the habit of trading apples for nuts, pop-corn, marbles, tops, and so forth. But Jack, Will, Fred, and Walter, finding it troublesome to be always carrying about apples in their pockets, hit upon the following plan. They each got five apples (making twenty in all), and put them in a box; and another boy, Tom Grey, agreed to take charge of it. Then they took twenty pieces of paper, and wrote on each piece, "We, Jack, Will, Fred, and Walter, promise that the owner of this paper shall receive one apple on presenting it to Tom Grey." Then, when one of the four boys met another boy who wished to exchange peanuts or marbles for an apple, he gave him one of these pieces of paper; that boy, when he wanted an apple, took the piece of paper to Tom Grey, and received from him an apple, as promised on the paper. Tom Grey then tore up the paper.

The plan succeeded very well. As the apples were used up, the boys brought others and put them in the box, and wrote the same promise on new pieces of paper, one piece of paper for each apple.

One day, however, when all the boys were 13 away, a cow came by, upset the box, and eat up all the apples. Just as Tom Grey came back, several boys came up to have their papers redeemed. Tom went to get the apples, but there were none to be found, so he had to tell the boys that the treasury was empty. The pieces of paper were consequently not worth anything. The news soon spread, and the boys who had exchanged their tops and other valuables for the paper were dismayed to find it was good for nothing.

You see the papers depended on the apples¹⁴ for their value, and when there were no apples, the papers were worthless.

This happened early in the summer, when the four boys could get no apples. But they had given their promises, written on the papers, to give one apple for each bit of paper, and had received the tops and marbles from their friends, and they felt that the promises must be kept. So, in the autumn, the first thing they did was 15 to collect enough apples to give one to each boy who held a paper promise at the time when the cow eat up the apples.

The friends of Jack, Will, Fred, and Walter were so much pleased to get their apples, and

had liked the plan so well before the accident
16 happened, that they persuaded Jack, Will, Fred,
and Walter to start their pieces of paper and
their apple-box as before, and all went on well.
But would all have gone well if the four boys
had not kept their promises as soon as they
were able to? Would their friends ever have
been willing to take their paper promises again,
if they had seen them eating up the apples,
instead of redeeming the paper promises with
17 them? I think not. It was the feeling that
they could trust Jack, Will, Fred, and Walter,
that made them willing to go on as before.

It is exactly the same with a government;
18 it must keep its promises, and pay coin for its
paper dollars, if its paper dollars are to be
worth anything.

Questions on Chapter V.

1. Who remembers the seven qualities that are necessary to make a good medium of exchange?
2. Has paper money all of these qualities?
3. Do you remember, from the last chapter, what gave paper its value as money?
4. Do you also remember what a government should do, in order that the promise should be kept?
5. Suppose the treasury was empty, and there was

no coin coming in, could the paper money be redeemed ?
What would it then be worth ?

6. What was the plan of paper money which the four boys tried ?

7. How many apples had they in the box ? and how many pieces of paper money did they make ?

8. What was written on the papers ?

9. How did the boys use this paper in making their bargains ?

10. When a boy wanted apples for his paper money, what did he do ?

11. What was done with the redeemed paper money ?

12. How was the apple treasury kept full ?

13. What happened one day to the treasury ?

14. What did the boys then find their papers were worth ? Why ?

15. When the autumn came, what was done by Jack, Will, Fred, and Walter ?

16. What were the four boys persuaded to do ?

17. But if the four boys had not kept their promises, would the other boys have been willing to take their paper money again ? Why not ?

18. When are people willing to take the paper money of real governments ?

CHAPTER VI.

WHAT ARE GREENBACKS ?

WHEN the rebellion of 1861 broke out in the United States there was comparatively little coin in the national treasury. Up to that time the expenses of the government had been light, and so the taxes of course had been low.

With the breaking out of the war, the expenses were all at once increased ; soldiers were wanted, — first 75,000, then 500,000, and at last 1,000,000. The soldiers must be paid ; and their food and clothes, guns, swords, bayonets, powder and shot, together with the horses, wagons, cannon, forts, and ships, all the material necessary to carry on a war, must be paid for. How to raise the large sum of money needed, amounting to many millions of dollars, was a hard question for the Secretary of the Treasury to answer.

The taxes were increased at once ; but there was not time to raise all the money wanted in

that way ; and, besides, it would have been unwise to put suddenly upon the people so heavy a burden. Some other way must be found to raise money speedily. At last, though somewhat doubtful of the wisdom of the plan, the Secretary of the Treasury, with the consent of Congress, determined to issue 4 paper money. He had many thousand pieces of paper manufactured of a peculiar kind. On one side of each piece, called the face, he had the following words printed : "The United States will pay the Bearer one dollar," or two, or five, or ten, or fifty dollars, or whatever sum the paper was to stand for ; on the other side, or the back, he had printed,¹ "This Note is a **LEGAL TENDER** at its face value for all Debts, Public and Private, except Duties on Imports and **INTEREST ON THE PUBLIC DEBT** ;" and also a warning that it was against the law for any person to counterfeit (or imitate) this paper money. If any of you will examine a dollar-bill (greenback), you will see these things

¹ Let the teacher explain the meaning of the words printed on the greenback ; and, by having one at hand to show the children, explaining the signatures and numbers, and telling the precautions taken against counterfeiting, the advantages of an object lesson will be secured.

5 printed on the face and back. When this paper dollar was worn out, the owner had the right to exchange it for a fresh one at the treasury, and the worn-out paper dollar was destroyed.

These paper dollars were called "greenbacks," because of the color of the backs. Now you understand, from what we have said
6 about paper money, that these greenbacks have no value in themselves. But, though it simply says on the greenback, that "The Government will pay the Bearer One Dollar," yet the people felt that the dollar to be paid *was to be* either gold or silver. You can easily see that there would have been no advantage in exchanging one paper dollar for another; and these words seem to prove that the government did not regard the greenbacks as real dollars, but only as pieces of paper that *represented* dollars, and served in the place of them. The people felt that some time the government would pay coin for the greenbacks, and it was
7 this confidence of the people in the United States government that gave the greenbacks what value they had. As this feeling of confidence changed, and became greater or less, the value of the greenbacks changed too, as we will explain by and by.

This paper money was used by the government to pay the soldiers, and for the other expenses of the war, and in that way came to be used by everybody in place of gold and silver.

When a government obliges its people to receive paper money for their goods, the government really runs in debt to the people for these goods. For example: In the war, our people owned the goods (guns, ammunition, etc.), and wanted to sell them; the government absolutely needed the goods, and had no other money to pay for them than these greenbacks. So the people had to take them in payment for their manufactures. They were ready to do this because they believed the government would some day give gold and silver for this paper money. Thus, you see, the government really *borrowed* all these goods of the people, and *borrowed* the services of the soldiers and sailors. The greenbacks were understood to be the government's promises that some day it would pay for all their goods and services in coin.

Those who first sold their goods to the government received, as we have said, these greenbacks in exchange for them. When these people in turn wanted to buy clothes, food, etc.,

they generally had no gold or silver, so they paid for the goods with greenbacks. It is printed on the greenbacks that this paper shall be accepted "for all Debts, Public and Private"; so those who sold grain and clothing could not refuse to take greenbacks in payment. Thus, this paper money came gradually to be used by every one. But though these papers passed from hand to hand, they still bore the promise to pay dollars, and whoever held, or now holds, such paper should have a right to claim gold and silver for it.

Very soon this paper money began to grow less in value, or depreciate,¹ as we say. Notwithstanding that the United States government had declared that these pieces of paper should pass for dollars, one dollar in paper money would not buy as much as one gold dollar. Why was this? It was
10 because the government had made no provision to pay coin in the future, and was
11 issuing more and more paper money. The people knew this because the Secretary is obliged by law to publish reports from time to time, telling how much coin is in the

¹ Let the children look out the derivation of this word.

treasury.¹ Another reason why the paper money decreased in value was that the armies of the North were at this time often defeated in battle. Timid persons began to fear that the North might not succeed in the war, and that, if it did not, the paper money could never be redeemed. So little coin remained in the treasury, that the greater the amount of paper money issued, the less likely was it to be redeemed. So people were not so willing to take the greenbacks as they had been, and therefore the paper grew less and less in value. At one time people said gold stood at \$2.80. What did that mean ? It meant that it took \$2.80 in greenbacks to equal one dollar in gold, or to buy what one gold dollar would buy. But after this, the Union armies were more successful, and finally conquered. As people gained confidence that the government would redeem their paper with gold, greenbacks became more valuable; that is, a greenback dollar would buy nearly as much as a gold dollar, and at last quite as much. As people say, the paper was at par with gold; which means, that you can readily

¹ "The Old Farmer's Almanac" generally tells how much coin there is in the treasury at the beginning of the year. Let the children look this up.

exchange a greenback dollar for a gold dollar, and buy the same amount of goods with each.

From all this, you will see that it is not enough for a government *to be understood to promise* that a gold dollar will be given for a 18 paper dollar. A government must provide for keeping its promise, so that the people can feel sure that the promise will be kept, before they will give a gold dollar's worth of goods for a paper dollar.

Questions on Chapter VI.

1. When the Rebellion of 1861 broke out, was there much or little coin in the treasury ?
2. Why was more money needed to carry on the war ?
3. How was the first extra money raised ?
4. The taxes did not bring in money quickly enough, so what plan did the Secretary of the Treasury decide upon ?
5. Describe a "greenback," and tell why it is so called, and what is printed on it.
6. Were these greenbacks in themselves valuable ?
7. What then made them valuable ?
8. Tell how the greenbacks came gradually to be used by every one.
9. Why were the people willing to take this paper money in exchange for their manufactures ?
10. After a time the paper dollars began to grow less in value : what was one cause of this ?

11. How did the people know whether there was much or little coin in the treasury ?

12. Give another reason why greenbacks grew less in value.

13. What made the people fear the paper money might never be redeemed ?

14. How did this make them feel about using the greenbacks ?

15. At one time gold stood at \$2.80. What does that mean ?

16. When the Union armies were successful, and the people gained confidence that the government would stand, what was the effect on the value of the paper money ?

17. What does "at par" mean ? Are gold and paper "at par" now ?

18. Is it enough, in order to make a paper dollar equal in value to a gold one, that a government should be understood to promise that a gold dollar will be given for every paper one ?

CHAPTER VII.

WHAT IS IRREDEEMABLE PAPER MONEY? AND
WHAT ARE BLUEBACKS?

YOU remember that the Secretary of the Treasury was doubtful about the wisdom of his plan of forcing the people to use paper money. He thought there was no other way of raising money at that time. Other, and perhaps wiser, men differed from him, but we cannot discuss the matter here. That all the mischief that *might* have come from such a use of paper money did not come, is due to the fact, that the Rebellion was at last put down, and confidence in the United States government restored. We will now try to show you why there is danger in such an experiment, and also what might have happened in the United States, by telling you what actually did happen to the paper money of the Southern Confederacy.

- 1 The Confederate government issued paper money, just as the Union government issued greenbacks, in order to raise money, and, as we

have explained, it thus went in debt to its people. Its paper dollars had blue backs, just as our paper dollars had green backs, and to make it simpler we shall therefore call the Confederate paper money, bluebacks. As the war went on, the Southern armies lost battle after battle, and the Southern people began to fear that their government would never pay 2 coin for its bluebacks.

The blueback dollar grew less and less in value, and its buying power steadily decreased. A pair of slippers, which one day cost one paper dollar, the next day cost two, and the next week five. In coin, the value of the slippers was just the same, but the blueback 3 dollar was not worth so much; its buying power had changed, and was changing day by day. The reason for this we have explained. A great deal of paper money had been issued, but no coin had been saved to redeem it, and 4 none could be saved; for the people were too poor to pay taxes. Their corn and pork had to go to feed the soldiers. They could not send any cotton out of their own country to 5 sell in England and elsewhere, as they had done before the war, because now the Northern vessels guarded the ports, and would not let

any vessels sail out. As they could not easily sell all their cotton and other products, they had very little money on hand. Their treasury was empty, and there was no way to fill it. It became evident at last that the South would be defeated. Then the people knew that the bluebacks would probably never be redeemed, and
6 they asked very large sums of blueback money for the commonest articles of food or clothing.

A gentleman living in Richmond, just before it was taken by General Grant, went to an auction where he wanted to buy a hogshead of
7 molasses. How much do you think he had to pay for it in blueback dollars? You would never guess. It cost him \$4,545.37, — which would be about \$18 per quart. You see he
8 was no richer then, with \$4,545.37, than you or I should be now with twenty or thirty dollars, the price in coin of a hogshead of molasses. The man who bought the molasses was better off than the one with the \$4,000, for he had something of real use and value; while the other man had only a quantity of paper money, which was growing less in value every day. Perhaps the man who sold the molasses was willing to take the paper money, because he still believed the bluebacks would some time be

redeemed; but it is more likely, that he took them because he thought he could buy with them something else, which he wanted more than the molasses.

When, at the close of the war, the Confederate government was entirely broken up, and there was no chance that its paper money would ever be redeemed in coin, the bluebacks became good ⁹ for nothing, except for lighting fires. Those people who had sold their goods for bluebacks, ¹⁰ and so had nothing in the world but blueback money, were utterly ruined. No one would take the bluebacks in exchange for groceries, or clothes, or food; \$1,000 in bluebacks was not worth twenty-five cents in coin.

As it was with the Union and Confederate governments, so it is with every nation that uses paper money.

First. If a government issues a quantity of paper money and saves gold enough to redeem ¹¹ it, all goes well, and this is a perfectly safe method of using paper instead of coin.

Second. If a government issues a quantity of paper money and keeps only enough coin on hand to redeem whatever paper is likely to be presented, *but can raise more coin* (by taxes or ¹² other means) *at any time if necessary*, the paper money will be at par with gold, and

people will take the paper as readily as they will gold.

Third. If, for any reason, there is a quantity
13 of paper money issued, and all the coin which should be ready to redeem it is spent on a war, and no more can be raised by taxes, then the paper money will be worth nothing; as was the case with the bluebacks of the Southern Confederacy.

Fourth. If a government is an honest one,
14 it will consider its paper money a just debt, and pay it accordingly; as the boys did, when in the autumn they redeemed their paper promises with apples.

Fifth. If a government issues paper money
15 when there is but little coin in the treasury, and *when none is being saved to redeem it with*, the paper loses *part* of its value. It would be like giving two pieces of paper, each promising to pay one apple, and only having one apple to pay with; the owner of each piece of paper could then only get half an apple.

This was somewhat the case when, in the war of the Rebellion, it took two dollars and eighty cents in greenbacks to equal in value one dollar in gold. You see a paper dollar at this time was not equal to a gold dollar, nor would it buy a gold dollar's worth of goods.

Questions on Chapter VII.

1. What was done by the Confederate government to raise money?

2. As the war went on, what made the value of the bluebacks less?

3. At one time the price of a pair of slippers was \$1. What made the price go up to \$5?

4. Near the end of the war people began to think the Confederate government would never redeem the bluebacks. What made them think so?

5. The Confederate government now found it hard to raise money. Why was this?

6. When people feared the bluebacks would not be redeemed, how did it affect prices?

7. Who can tell about the auction and the hogshead of molasses?

8. Why would you be as rich to-day with \$30 in coin, as the man was in 1865 with \$4,000 in bluebacks?

9. When the Confederate government went to pieces, what was the value of the bluebacks? Why?

10. What happened to the people who had nothing but blueback money? Why?

11. When may a government use paper money with safety?

12. When will people take paper money as willingly as coin?

13. When will the paper money be worth nothing? Illustrate.

14. When the government is an honest one, what provision will it make to redeem the paper money it issues?

15. When will the paper money lose part of its value? Illustrate.

What word do people use when they mean that paper money grows less in value?

CHAPTER VIII.

WHAT IS IRREDEEMABLE PAPER MONEY?

(continued.)

ONE reason why coin is the best measure of all other values is, that its own value changes very little. The value of wheat, and cotton, and cattle, changes very much from year to year, as they are plenty or scarce. Even the value of gold changed, when the Australian and Californian gold mines were discovered; but now it changes less than anything we have.

Suppose we had to measure goods with a yardstick that the shopman could squeeze up so that it would not measure a whole yard. He might say to his customer, "See, it *is* a yard measure." But the customer would not wish for cloth measured by such a yardstick. The shopman would like it no better, if the customer seized the measure, and stretched it more than a yard, and insisted that it was the same yardstick, and that *this* was the way to

measure a yard. No, the yard measure must always be of the same length in order to satisfy everybody. Just as a standard yardstick always measures the same length of cloth, so the gold 2 dollar always buys *about* the same amount of goods from year to year.

When people are sure that a paper dollar can be redeemed in coin at any time they wish, 3 it will buy the same amount of goods as a gold dollar. But, as we have seen, when there is no coin with which to redeem it, paper money 4 changes its value very much from day to day; and in that case, it is an unsafe measure of value, or, as we say, an unsafe money.

There are people who still believe that irredeemable paper money is as good as gold money; who do not want the government to redeem the greenbacks with coin; and who would like to see the government issue a large quantity of paper money without promising to redeem it, or preparing to do so. If people who wish for that kind of money had their way, there would be no need to print any promise on the face of the paper dollars; nor to make any provision of coin to redeem them with. The government would simply print on this paper, "This is a dollar." We should then have a

5 money which could be increased in quantity
at the pleasure of every Congress; which,
having no value in itself (and without even
the value of a promise), would be as worth-
less as the Confederate bluebacks at the end of
the war, or the paper money of the Chinese
Emperor. Printing on the paper, "This is a
dollar," would not give the paper any real
6 value; it would have no buying power, and
a man would be no richer with \$1,000 of it
than he would be without. Such irredeemable
7 paper money would be no better than gravel,
which is easy to get, and worthless when got;
and when all the people had filled their pockets
with it, they would find that no one would
take such cheap money in exchange for food or
clothing.

The lesson to be learned from the history of
paper money, in the United States and else-
8 where, is *never to believe in so-called cheap money*.
The question is not, "How *much money* does
a man earn in a day?" but, "How *much food*
and clothing can he get for this money?"

9 If one gold dollar will buy as much as two
paper ones, it is clear that he who earns one
gold dollar is as well off as he who earns two
paper dollars. The second man seems to get

more money; but the two paper dollars will not buy any more bread, or any more coal, or any more clothes, than the one gold dollar.

At the present time, gold and greenbacks can readily be exchanged for each other; or, as we 10 say, they are at par.¹

The buying power of the paper is now equal to that of the gold, because the credit of our government is good; that is, people believe that it will, in the course of time, pay its just debts to the people. We must also bear in mind, that the greenbacks are the proofs of the debt which the government of the United States owes to the people.

Questions on Chapter VIII.

1. Would a changeable yardstick be a good measure of cloth? Why?
2. Why does a gold dollar resemble a standard yardstick more nearly than a paper dollar?
3. When may paper money be a safe measure of value?
4. When is paper money an unsafe measure of value?

¹ Ask if the children remember what "at par" means. The highest amount of greenbacks out at any one time was (January, 1864) \$449,338,902. The amount outstanding in April, 1884, was \$346,681,016.

5. Some people think that a good money could be made by printing on paper, "This is a Dollar," and so having a paper money that could not be redeemed. Would it be a good kind of money to have? Why not?

6. Would it give the paper money any value to print on it, "This is a Dollar"?

7. Name some article that would make as good a money as this irredeemable money.

8. What is the lesson to be learned from the history of paper money?

9. When a gold dollar buys as much as two paper ones, who is the richer, a man who earns two paper dollars, or a man who earns one gold dollar?

10. When a gold dollar and a paper dollar can readily be exchanged for each other, what do people say of them?

CHAPTER IX.

WHAT ARE UNITED STATES BONDS ?

WE have seen that the Secretary of the Treasury raised large sums of money for the expenses of the war by issuing paper money, and that it was an indirect way of borrowing money from the people.

It was soon found that, notwithstanding the heavy taxes and the large quantity of paper money issued, more money was needed to carry on the war. It was thought unwise to issue more paper money, so the Secretary saw that money must be borrowed in some other way. It would take too long and puzzle you too much to tell you exactly how it was done, so we shall only try to give you some general idea of the whole matter. The President, with the consent of Congress, proclaimed to the people, that to every one who would lend the government one thousand dollars, the government would give in exchange a piece of paper, having on it the promise of the United States¹ to repay the owner within a given time his

thousand dollars in coin; and until that time the government would pay him for the use of his money a yearly interest of 7.3 per cent.¹

3 This piece of paper was called a United States Bond.² When the government gave this bond to a man, and received the one thousand dollars for it, the act was called "selling a United States bond."

4 The money thus borrowed was used for carrying on the war, and buying guns, ammunition, and other supplies.

5 The money needed to pay the interest on the bonds was raised by increasing the taxes. Besides paying this interest, part of the money received from the taxes was regularly set aside every year for the payment of the bonds themselves. The money thus laid aside was called "the Sinking Fund."

But, as time went on, the Secretary of the Treasury saw that this sinking fund would not

¹ Point out the difference between a greenback and a bond; that the time of the payment of the bond is fixed, and there is interest to be paid on it, whereas the greenback is understood to be a promise to pay at an indefinite time, and there is no interest paid on it; and also, that both are debts that the United States government owes to the people.

² Let the children look up the derivation and definition of *bond*.

be large enough to pay off the bonds at the appointed time, and consequently he must raise more money. He might possibly do this by increasing the taxes still more; but that would put a very heavy burden on the people, — too heavy for them to bear at one time. Still, the promise of the government to pay at a certain time *must* be kept; if it were not, no one would ever trust the United States government again. So the Secretary borrowed more 8 money of the people, or, as we say, sold more bonds. The money he obtained in this way he added to what had been already saved, and with it paid the first set of bonds at the appointed time. When he sold the second set of bonds, however, he found that people felt so sure that 9 their money would be repaid them at the promised time, that they were willing to receive only six per cent interest for the use of it.

You will see, that, as part of the bonds 10 were paid off by the money saved from the taxes, when the government borrowed money the second time, it did not have to borrow as much as it did the first time.

It was somewhat as if John's wife were 11 sick, and he must pay the doctor ten dollars. John borrows ten dollars from Thomas to pay

the doctor, and gives a paper, or bond, promising to pay back the money in three years, and to pay seven per cent interest a year in the mean time. John pays the interest as it becomes due, and saves five dollars in three years, but ¹² cannot manage to put by more. So, when the time draws near for him to pay Thomas, he goes to William, says he must pay Thomas, and asks William to lend him five dollars. William sees that John has paid half his debt, and so willingly lends the remaining five dollars ; and as the debt is small, and the risk not great, he asks only six per cent interest. John gives him a paper, or bond, promising to pay the interest every year, and all the money in three years. John then takes the five dollars, together with the five dollars he had saved, and pays his debt to Thomas. Every year William shows the bond to John, who then pays him thirty cents ; and, at the end of three years, the five dollars ; so the debt is at last paid entirely.

¹³ This is somewhat the way in which the United States is paying its debt, only it pays it more slowly. Each time it borrowed money, it needed less, because part of the debt was paid by the sinking fund, and so only part had to be paid by borrowing more money.

In the same way, when the time approached ¹⁴ for the payment of the six per cent bonds, part of the money was raised by taxes, and part by selling new bonds. The credit ¹ of the government was now so good,—that is, the people felt so confident of the power of the government to pay its debts,—that they were willing to lend it money at five per cent interest; when these bonds were paid, people lent money to the United States government for four per cent interest; and at last for three ¹⁵ per cent interest.

As we have said, the money borrowed by the sale of each new issue of bonds is always used, with the money saved from taxes, to pay back the money borrowed by the last issue.

As the money to pay the principal ² and interest of the bonds is raised by a tax on the whole people, every time a set of bonds is paid ¹⁶ by the sinking fund, the taxes are lessened by the amount of those bonds and their yearly interest. Also, as each new set of bonds pays less interest than the old bonds, the taxes are ¹⁷ further lessened by the difference in the interest. For example, the first regular bonds, issued in

¹ Have the children look up the derivation of *credit*.

² Have the children look up the derivation of *principal*.

1861, paid 7.3 per cent interest; the bonds issued in 1882 pay three per cent interest; consequently, since the first issue of bonds, the interest has been reduced on part of the debt 4.3 per cent,¹ or more than half.

As each set of bonds was paid, people felt more and more sure that money invested in United States bonds was safe; and the feeling that their money was secure, made them eager to buy the new bonds even at a lower rate of interest.

18 When people speak of the "national debt," they mean the money which the government owes the people for these bonds.

19 By wise economy in our government, and judicious saving of a part of the revenue,² we hope to be able finally to pay off all these bonds, and so to remove entirely the burden from the people. In the mean time, the owners of these bonds, many of whom are women and orphans, feel that in lending to the United

¹ Let the scholars here calculate the yearly interest at 7.3 per cent on \$300,000,000, and the interest at $3\frac{1}{2}$ per cent on the same amount; then, by deducting the one from the other, they will get some idea of how much taxes can be reduced by such a reduction of the rate of interest paid on the bonds.

² Have *revenue* defined by some of the class.

States government they are lending to an honest borrower, and rest secure in the trust that all their money will be repaid them at the appointed time.

Questions on Chapter IX.

1. Later on in the war, as more money was needed, what did the President proclaim to the people?
2. What did the government promise to pay for the use of every \$1,000 that it borrowed?
3. What were these papers called? What does "selling a bond" mean?
4. What was this borrowed money used for?
5. How was the money raised to pay the promised 7.3 per cent interest?
6. All the money thus raised was not spent in paying interest: what was done with part of it?
7. What was this saved up money called?
8. When the time for paying back the bonds drew near, it was seen that this sinking fund would not be large enough: what was then done?
9. Why were people ready to buy the new bonds at a lower rate of interest?
10. Why did the government have to borrow less money the second time it issued bonds than it did the first time?
11. Explain how John paid his debt to the doctor.
12. Explain how John paid his debt to Thomas.

13. Was John's debt in any way like the United States debt? Why?

14. When the time for the payment of the six per cent bonds drew near, how was the money raised to pay them?

15. What is the interest paid now on part of the bonds?

16. Why does the payment of bonds make the taxes less?

17. What effect does the reduction of interest on the bonds have on the taxes? Why?

18. When people speak of these bonds, what do they often call them? Why?

19. How do we expect to pay back all of this debt?

CHAPTER X.

WHAT IS A TAX?

PROBABLY all of you have heard older people speak of taxes, tax-bills, and tax-payers. You have heard people say, "The taxes are low in that town," "He pays very large taxes," and use other such expressions. But how many of you know just what a tax is, and what it is for? Very likely you have heard taxes spoken of as something very burdensome and disagreeable; why should it be necessary to pay out money in that way?

We will try to explain the matter to you by the following story.

Suppose that two boys had a number of marbles and a top, and one girl had a hoop. They were afraid that while they were in school some bad boys were going to play truant, and try to steal these things. The three therefore put their heads together, and went to an older brother, and one of them said, "If you

will watch our things while we are at school, we will pay you. George owns a top, Jane owns a hoop, and I own fifty marbles; now George will give you one marble, I will give you two (for I have more things to be taken care of), and, as Jane has no marbles, she will give you a jew's-harp to pay you." So, you see, each paid a proportion out of his or her possessions, for the care of his or her property.

Now, suppose they had said, the top is worth five cents, the marbles ten cents, and the hoop ten cents, and had paid, instead of marbles and a jew's-harp, a certain proportion of their value, say one fifth (which would be one cent out of 2 five, and two out of ten). This would be paying the elder brother a return for the work he did for them, in protecting the top and marbles. It is for the same reason that people pay taxes to a government.

So a tax is money which people pay to their government for work which it does for them, and the protection it gives their lives and property. Let us see what a government is, and what this work is. In the United States, when people have collected together in a town, they want schools and roads, a town-house, policemen, and perhaps lighted streets and a fire-engine.

Every year they choose several of their best 3 men to look after the general work of the town, and these are called the Selectmen (because they are selected, or chosen to govern the town); others are chosen to take care of the roads; others, to look after the schools; and so on. These men are authorized to spend money for town purposes, and are paid for the work they do. The rest of the people agree to pay out of their earnings whatever sum is needed for all these expenses. Every year the selectmen find out how much money 4 the town wants to spend, and then divide the whole expense among the people, each person paying his or her share of the taxes. The ad- 5 vantage of this plan is, that a few of the people agree to do the town work, and the rest can look after their farms, or trades, or other occupations. In the United States a plan very much like this is carried out in the business of our cities, states, and nation; and when we speak of the government of a city, state, or nation, we mean those men and women whom the people choose to do 6 such work for them.

In the first place, the government says to the people, "I will keep you and your children, 7 your land, your houses, and all your property

safe, so far as I can. You shall each pay me a tax of so much money, and out of the sum of what you all pay me, I will pay the officers who are to make your laws, and those who are to carry them out and enforce them, the judges, policemen, sheriffs, constables, and all other officers who may be necessary for the protection of yourselves and your property. No one shall steal without the risk of being shut up in prison ; no one shall kill another without danger of being hanged."

Then the government also protects us against foreign nations. It takes care of us and of our property when we are away from home, or in foreign countries ; it protects our ships on the sea, and our commerce in distant lands. In time of war, great armies and navies are necessary for this purpose ; and at all times, to carry out the laws, many men are needed, who must be clothed, fed, and paid for their trouble.

- 8 Besides this protection, there are certain public conveniences which we pay the government to provide us with, such as roads, bridges, prisons, schools, etc.

All this work that is done by the government costs a great deal of money. Now, where does this money come from ? As we have said, from taxes paid by the people to the government.

There are several ways in which a government can raise money by taxation. People who import foreign goods into this country have to pay a tax to the government, and there are certain home manufactures, like whiskey and tobacco, on which the manufacturers are obliged to pay a tax to the United States government. To-day we will only talk about the simplest form of taxation, i. e. what is called a property tax. The people elect a man, called an appraiser, or assessor, who assesses, or values, 9 a horse, or a farm, or a house, or a ship, at about the price he thinks it would bring in the market, and so on with whatever property a man owns. Then the man pays a certain proportion 10 of the whole value of his property, or a tax, to the government. The amount of this tax varies according to the expenses of the government. In war time, the expenses are heavy and taxes 11 are high ; in time of peace, expenses are lighter and the taxes are generally lower.

When the rate of taxation is two per cent, 12 that means that every man is taxed two dollars on every hundred dollars' worth of property he owns. If a man owns a farm worth \$500 and a barn worth \$500, he will have to pay \$20 in taxes. Instead of saying two per

cent, people often say that the rate is \$20 on a thousand.

13 Some people have no property to be taken care of, but they themselves are protected by the government, and in Massachusetts they must pay for this care a poll-tax,¹ amounting to \$2 a year, which must be paid before they are allowed to vote. In other states the law varies.

14 In the United States, there are four kinds of taxes to be paid for different purposes; namely, the town or city, county, state, and national taxes.

15 1st. There are the town taxes. This money is paid by the people to the town officers whom they have elected, and is used to keep the town roads and bridges in good order, to support the poorhouse, to pay the selectmen and constables, to build public schoolhouses, and pay the teachers.

In cities, instead of the town tax, there is
16 a municipal, or city tax. These taxes are generally much higher than those which the
17 country people have to pay. In the country each man has his own well, lets the moon and stars light his roads by night, and the wind

¹ Let the teacher explain the meaning of *poll-tax*.

sweep them. But in the city, water must be brought long distances in pipes for the use of the people. The streets must be lighted, paved, and kept clean. Then there are apt to be many bad people in large cities, and for this reason a large number of policemen are necessary to keep order and protect property. To see that all this work is done is the business of the city government, and, as it costs much money, people must pay large taxes.

2d. There is the county tax. There is a 18 county court-house; a county jail must be built; the county judges, sheriffs, clerk, and other officers, must be paid. The county prisoners must be fed; a county poorhouse must be supported, and county roads kept in repair. The money for these purposes is raised by a county tax.

3d. There is the state tax. The expenses 19 of the state government are for the salaries of the governor and other state officers, the senators and representatives in the state legislature, who make the state laws by which we are all governed; then there are judges and other officers, who, in the state courts, decide disputes between men, and try criminals for their offences against the laws. These men must all

be paid. Then there are state prisons, lunatic asylums, hospitals, and more state charities than we can name. For all these we pay state taxes.

4th. There is the tax to the United States government, or the national tax.

20 Our President—who must see that the United States laws are carried out, who must direct the nation in time of war, who must appoint all our national officers, who must often work night and day for the good of the country—must be paid.

21 Our national representatives and senators, whom the people choose to make the laws of this great country, must be paid; the army and the navy must be paid, that we may be safe in time of war, and that our ships may be protected on the ocean.

Our consuls, revenue officers, postmasters, and the men who collect the taxes, must be paid.

All these men work for the government, and therefore work for the people, and they must be paid by the people's money.

All these expenses are met by the national
22 tax on all the people. But, instead of paying the money directly to the government, as we do in state and town taxes, the people pay the tax through duties on imported goods and certain

articles manufactured at home, such as tobacco, whiskey, etc.; that is, the manufacturers and importers pay a direct tax to the government, and must then repay themselves by asking a higher price for the articles they sell.

So we see that taxes are money which we ²³ pay to support the government chosen by the people, and is for actual work done for us. Therefore, when taxes are needed to pay for ²⁴ the protection of our lives and property, and for the many conveniences we have named, people are wrong in speaking of them as if they were unnecessary, or burdensome, unless indeed the public money is wasted; which waste the whole people have a right to protest against and put a stop to.

Questions on Chapter X.

1. Who can tell the story about the children who wanted their toys watched over?
2. Why did the children pay marbles to an elder brother? and why was this like paying a tax?
3. Explain how a town has its schools, roads, etc. taken care of.
4. How is all this work paid for?
5. What advantage is there in this plan?

6. What, then, is meant by *the government* of a city or state ?

7. Tell what protection the government gives to our persons and our property.

8. Tell what some of the public conveniences are which we have in return for the taxes we pay.

9. What is the man called who values the property ? What work does he do ?

10. To do all this work costs a great deal of money, and part of the money is raised by a property tax : what is that ?

11. Why are taxes high in time of war, and lower in time of peace ?

12. When the rate of taxation is two per cent, what does it mean ? and what tax must a man pay whose property is worth \$1,000 ?

13. What is a poll-tax ? Why so called ?

14. Name the different kinds of taxes in the United States.

15. What is the town tax for ?

16. What is the city tax for ?

17. Which is the heavier tax ? Why ?

18. What is the county tax for ?

19. What is the state tax for ?

20. What is the national tax for ?

21. What work do the senators and representatives do ?

22. How is the national tax paid to the government ?

23. What is a tax ?

24. Should we be ready to pay our taxes, or not ?

Let the children find out the rates of town, county, and state taxes for the last year.

CHAPTER XI.

HIGH AND LOW TAXES.

WE know that taxes are the money which is paid to support a government. If the people want a great many conveniences and the government has to spend a great deal of money for them, the taxes will be high ; and whatever increases the expenses makes the taxes higher. So the people who pay taxes are interested in seeing what the government money is spent for.

These government expenses may be wise and necessary, or they may be unwise and unnecessary. Sometimes a foolish war makes a nation pay heavy taxes for many years ; sometimes dishonest officers steal public money ; sometimes they spend it on public works and buildings that are not needed. But whatever it is that makes the government expenses heavy, it is the people who must pay them in the form of taxes.

Perhaps we can see this most plainly in the town taxes, which are the simplest and most familiar. If the affairs of a town are badly managed, its money spent foolishly, and its taxes made very high, *all* the inhabitants of the town feel it.

It sometimes happens that some work is proposed which is not very necessary, but which the workmen think will give them steady work, and to pay for which the taxes will have to be increased.

- 1 Suppose a town has undertaken some such useless work, for instance the building of a new highroad where it is not especially needed ; and that many laborers will be employed on it.
- 2 The laborer thinks it will be a chance to get good wages, and that the heavy taxes will not
- 3 come on him, but on those who own land, and houses, and other property. So he votes to have the work done.

See the effect. First, the taxes are raised to meet the new expense ; now, though a town may have in it a few rich men who pay heavy taxes, by far the larger number of tax-payers are generally men of moderate means, who, by industry and economy, have saved enough money to own their houses and land ; and the heavier

tax comes very hard on these men. But the 4 laborer, who only pays a poll-tax, also feels the heavier taxes. He had thought that they would have to be paid by his landlord, and so they are; but the landlord, in order to get the money he needs, raises his rent. So the laborer pays part of the tax in the form of rent to his landlord.

Then the butcher, if he owns his house and 5 shop, has to pay higher taxes on them; if he hires them, his rents are raised by his landlord. In either case, to earn his living he must charge more for his meat. The case is the same with the grocer, who raises the price of groceries, and with the blacksmith, and other tradesmen.

It is just so with the mill-owner; he must pay such large taxes to the town, that, to make his profit and support his family, he must raise the price of his calico and cotton.

Now, here is the laborer, who perhaps receives a little more pay for his public work than he would get from other employment, obliged to pay higher rent, and higher prices for his food and clothing. So he, as much as any of his townsmen, and perhaps more, feels the burden of heavy taxes. Thus we see that it is not a few, but all of the people, who must bear this burden.

- 6 Senator Edmunds says: "You all pay taxes, whether the tax-gatherer comes to you with a bill, or not. He goes to your employer, and your employer pays you just so much the less, because he has to pay those taxes. You all wear clothes and drink tea, and you pay taxes on those. Every human being who earns his own living, who eats, wears clothes, and sleeps under a roof, pays taxes, whether he knows it or not."

As was said before, in towns the people vote every year who shall be the town officers, and how money shall be spent; but the legislature with the governor decides how the state taxes shall be expended. Now, if the sensible and intelligent people of the state go to the town meetings and the city ward-meetings and vote, the towns and states will have good officers, the work will be well done, and the money
7 properly used. But if people pay no attention to the town meetings, and do not go to them and vote, dishonest and ignorant people will govern the town, the work will be badly done, and the taxes dishonestly and foolishly spent.

Questions on Chapter XI.

1. Suppose a town has undertaken an expensive and unwise piece of work : what will be the effect on the taxes ?
2. Why is the laborer likely to vote for it ?
3. Who does he think will have to pay the taxes ?
4. Does he find he was right in thinking he would not feel the heavier tax ? How does the heavier tax affect him ?
5. Why does the butcher raise his prices ? The grocer ?
6. What does Senator Edmunds say about taxes ?
7. If sensible people are careless about going to vote, how will the taxes probably be spent ?

CHAPTER XII.

HIGH AND LOW TAXES. — (*continued.*)

IT is not only in building unnecessary public works that money may be misspent, and the higher taxes bring trouble on the people of a town.

If, through mistaken kindheartedness, able-bodied paupers are supported by the town, they are really in part supported by the laborers and workingmen, because each pauper that is fed and clothed at the public expense increases the taxes by just the price of his food and clothing. There are some men and women who are indolent, shiftless, and lazy; if these are kept in comfort at public expense, others may follow so bad an example, and a pauper class be formed to eat up, like a flight of locusts, the earnings of those who work.

As an illustration of this, we will tell you about the high taxes that were paid in England for the support of the poor.

In the year 1834, and for many years before, there were very high taxes all through England, and one of the most burdensome was a tax called *the poor-rate*, which was paid to support the poor. There were certain towns where the parish, or as we should say the town, provided for all people who said they could not find work. Any man might come to the overseer of the poor, and by simply saying that he could not get anything to do, he and his family were allowed to have a very small house rent free, were given a certain number of shillings a week, and as many loaves of bread a week as there were children in the family; little or no work was exacted by the parish in return for this money. Few inquiries were made as to whether the man had really tried to find work; his word was taken as sufficient proof that he had. It was not strange that more and more people came to claim the parish aid, all saying that they could not find work.

The money to pay for the houses and bread, and the shillings, came out of the poor-rate, which was paid by all the people who held property in the parish. Most of these were thrifty tradespeople, or farmers who owned or hired the farms they lived on, and employed

4 many laborers. The employers of labor complained that the poor-rates were growing heavier and heavier. They said that often they could barely make two ends meet, and could not save a penny against a rainy day. At last a commission was appointed by the government to try to find out the cause of all this trouble.

In answer to the commissioners' inquiries,
 5 the farmers and other tax-payers said: "We who have owned farms and other taxable property, have paid the taxes and done all the work, and in this way have supported many men and women who did next to nothing. Our taxes are growing heavier, our profits smaller; and besides, we do no real good by supporting so many
 6 paupers. They lose self-respect by accepting parish aid, and are the most worthless of our people; and as they get money without hard work, they are careless in spending it, and are always in want. This state of things must not be."

The commissioners made such a report that the poor law was changed, and was afterwards somewhat as follows.

7 The new law provided that,—1st. All the old and sick, who had no one to support them, should be placed in a poorhouse. 2d. After this

time, all those who applied to the overseer of the poor saying they could find nothing to do, were to be answered by the overseer as follows: "Here is hard work; you can break stones, or 8 dig ditches; but because the parish wants you to find work for yourselves, you shall be paid 9 less by the parish than the farmers and other employers of labor would give you."

This law was carried into effect. See the result. The poor-rates were still paid; but in return for the money thus spent a reasonable amount of work was exacted. The paupers 10 soon discovered that it paid better to work for the farmers and tradesmen than for the parish. Each man who gave up working for the parish lessened the poor-rates, and now helped to produce food as well as eat it. The farmers and 11 other owners of property had smaller taxes to pay, and, since there were more laborers ready to work for them, they could produce more from their farms. Food, being more plenty, was 12 cheaper. The laborers could buy more for less money. The result was that most of the able-bodied men of the parish could find work in the neighborhood, and the poor-rates were needed chiefly for the support of the sick and aged who were friendless.

To sum up these two chapters, we will add, that, first, if an expensive public work be undertaken, to pay for which butchers, farmers, and all tradesmen must be heavily taxed, it makes little difference whether a man owns property or not, the burden is shared by all; and secondly, when able-bodied men and women are supported by a town, taxes have to be
 13 raised, and such people soon become paupers, who eat the bread earned by hard-working men, as in the English parish spoken of above. Of course there are always aged, crippled, and helpless people who are friendless, and to care for them is the duty of the town.

Certain public works too are necessary, or of the utmost importance, such as schools, and works relating to health; and the money thus spent is well invested, and should not be
 14 grudged by anybody. Every one can take the pains to find out for himself whether it will be wise to undertake a proposed work or not, and it is for every man's interest to do so, and by voting accordingly to make sure that the taxes are well spent.

Questions on Chapter XII.

1. At one time in England taxes were very heavy. What was one of these taxes called, and for what was it paid ?
2. What did the overseer of the poor know about these people, and what did he do for them ?
3. Who paid the taxes which supported these paupers ?
4. What complaint did these farmers and tradespeople make ?
5. When commissioners were sent to find out the cause of the trouble, what did the farmers and tradespeople tell them ?
6. What did the farmers say was the effect on the paupers of being supported by other people ?
7. What did the new law decide should be done with the old and sick who were friendless ?
8. What was to be done with any other people who applied to the overseers of the poor for help ?
9. Why were these people to get low pay for their work ?
10. What effect did the new law have on the paupers ?
11. What effect did the new law have on the taxes ? Why ?
12. Why did the lower taxes make food cheaper ?
13. Is it right that men and women who are strong and well should be in a town poorhouse ? Why not ?
14. What have you learned that voters can do in order to have the money they pay in taxes well spent ?

CHAPTER XIII.

WHAT IS A CORPORATION? — MILLS.

I WONDER how many children here know how large enterprises, such as mills, factories, railroads, and steamship companies, are generally started and carried on? You children probably do not realize how large a sum of money is needed to put up great buildings, lay railroad tracks, build cars and engines and steamboats, and buy materials. It is very seldom that one man has enough money to start such concerns alone, and the money is generally raised by subscription, a number of men putting their money together.

We will try to tell you how one of these large enterprises is managed; how a mill, for instance, is built and carried on.

Let us fancy a large town situated on the banks of a good river, with plenty of people there ready to work. Then suppose that a number of active, enterprising men agree to start a cotton mill. First of all, they try to

find out how much money will be needed to buy the land and the right to use the water, to put up the buildings, and to put in the machinery; also to pay the taxes and insurance, to buy the raw cotton,¹ and pay the workmen and the superintendent until the mill shall be fairly started, — when it ought to pay for itself. All this they find out from practical men, who have had experience in the business.

Then each man subscribes as much money ² as he thinks best, and asks his friends to do likewise.

The men subscribing in this way, and joining together for such an enterprise,² form what is called a corporation.³ They become responsible ³ for the good management of the business, and are obliged to act according to the laws of the state in which they work.

Every man who subscribes owns a part, or a ⁴ “share,” of the mill, and is therefore called a *shareholder*.

¹ Explain what “raw” cotton is.

² Let the teacher point out that, by joining together in this way and forming a corporation, men of small means can together accomplish what only a man of great wealth could do by himself.

³ Let the children look out the meaning and derivation of the word *corporation*.

All the shareholders must now meet together, and out of their number choose the wisest and ablest to become directors of the mill for a year. The directors at once choose a president and other necessary officers, and fix the amount that shall be paid such officers for a year's work. These directors must meet together to discuss the affairs of the mill and take counsel with the president, — in fact, *direct* or manage the business of the mill, — hence the name of *directors*. As a rule they have no salaries, for they are simply looking after their own property.

A regular meeting of all the shareholders is held at least once a year to elect the directors, and hear the reports of the officers. If, at any time, an important change is to be made in the management of the mill, a special meeting of the shareholders is called.

It generally happens, that the men who form the corporation cannot afford to subscribe all the money needed to start the business; so they get other people to take shares, too.

For every hundred dollars that a man subscribes, the directors give him a piece of paper certifying that the owner of this paper possesses one share in the mill; any one subscribing two

or more hundreds of dollars receives a paper to that effect; and so on. These papers are receipts¹ from the corporation for the money subscribed. Now all the shares taken together are sometimes called the "stock," and these receipts are therefore called *certificates of stock*.¹ The people who own these certificates of stock are called stockholders, which is only another name for shareholders.

Now suppose that the mill is started and is running successfully, what becomes of the money that the mill earns? Out of it the directors must first pay for the raw material¹² which is needed, the taxes to the government, the wages of the workmen, and the salaries of the superintendent and other officers; and secondly, they must lay by the money for necessary repairs. Whatever is left after this goes¹⁴ to the stockholders. Suppose that the mill has done very well, and the directors find at the end of the year that, after all the expenses have been paid, there are \$4,800 left in the treasury. This remainder they divide among the shareholders. Suppose there are eight hundred shares of the mill, and that each share cost one

¹ Let the children look out *receipt* and *certificate* in the dictionary.

hundred dollars. Each shareholder would then receive six dollars. This is what is called "pay-
 15 ing a dividend," because the money is divided. So this mill pays a dividend of six per cent on each share. Mr. Abbott, who owns two shares, receives twelve dollars. Mr. Capen, who owns ten shares, receives sixty dollars, and so on.

Dividends in well-managed corporations are never declared until all the expenses have been
 16 provided for. If the mill has not had a prosperous year, the shareholders get very small dividends, or none at all. If the mill fails utterly, the shareholders are likely to lose all the money that they put in.

Questions on Chapter XIII.

1. Suppose some men in a town wish to start a mill, what must they do first?
2. How do they raise the money they require?
3. When these men have become a corporation, what have they made themselves responsible for?
4. What is a shareholder? Why so called?
5. What must the shareholders do when they meet?
6. What officers do the directors elect?
7. What is the business of the directors? Why are they generally not paid for this work?

8. How often are meetings of the shareholders held?
9. Suppose the corporation has not enough money to start with, how do the shareholders raise more?
10. What are the "receipts" called, which are given to all shareholders? Why are they given?
11. What is another name for all the shares? for a shareholder?
12. What must the directors do first with the earnings of the mill?
13. What secondly?
14. If there is any money left, what is done with it?
15. What is meant by paying a dividend, and to whom is the dividend paid?
16. Do the shareholders receive a dividend every year? When not?

CHAPTER XIV.

WHAT IS A CORPORATION? — (*continued.*)

RAILROADS.

MILLS are generally started in the way we have described; but all enterprises
 1 are not. Suppose, for example, a railroad is to be built. For laying the track, building engines and stations, etc., very large sums of money are needed. Part of this is raised by subscribers, who thus become stockholders in the railroad, and these men really own the railroad. If enough money is not raised by subscription to finish the railroad, the direc-
 2 tors then borrow what is needed, and this is done by issuing bonds in somewhat the same way that the United States did. If the directors could not borrow the necessary money,
 3 the work could not be completed; so you see how important it is that they should be able to do this. But people will not lend to a corporation unless they feel that their money

is safe, and that they will get it back again. Consequently, to make people feel that it is safe to lend to this railroad, the directors, when they issue the bonds, generally promise that, if 4 the railroad does not succeed, the people who lent the money can sell the engines and other property, and so get back — at least in part — the money they lent.

The directors write a circular,¹ which is perhaps published in the newspapers, and which says that every one who will lend one thousand dollars to the company, shall receive a piece of paper with the promise of the company on it 5 that, at the end of ten, fifteen, or twenty years, as the case may be, the company will repay this money to the lender; and also, that every year until that time the company will pay six per cent interest (or whatever rate of interest may be agreed upon) to the lender. What would the interest on \$1,000 be for one year at six per 6 cent? After this circular has been published, any one who wishes to lend money to the corporation can do so, and receives for it a paper, called a bond. These papers are usually signed by the president and treasurer; and, as we have

¹ Let the children look out the meaning of this word in the dictionary.

said, they generally promise also, that, should
7 the railroad not succeed, the bondholders shall
have the right to sell the road, together with
the engines, cars, buildings, and land belonging
to it. In this way they can repay themselves
as far as possible for the money lent.

This process is called "selling bonds," or
"putting bonds into the market." A bond
8 means something that binds; and so these
pieces of paper bind the company to repay the
lenders the money they have lent at a speci-
fied time, and until that time comes, to pay
them interest for their money. They are also
acknowledgments from the company that it has
received the money.

Now suppose that, by selling these bonds,
the corporation, or company, has borrowed all
the money needed, and that the railroad is
started and is running successfully; what be-
comes of the money that the railroad earns?
9 As in the case of the mill, the corporation must
first pay the wages of the workmen and the
salaries of the superintendent and other officers;
secondly, it must lay by the money for neces-
sary repairs; thirdly, it must pay the interest
on the bonds; fourthly, it must lay by enough
money to pay back the bonds as they become

due; and lastly, if any money is left, it is divided among the shareholders.

The money laid by to pay back the bonds is 10 called a "sinking fund." Every corporation that borrows money ought to have a sinking fund, just as a man ought to lay by money to pay his debts.

Thus you see that a bondholder runs less 11 risk than a shareholder, for the corporation is bound to pay interest on its bonds, but is not bound to pay dividends on its stock. Besides, if the railroad company fails to pay the interest on its bonds, the bondholders, as we have said, generally have a right to sell the road, engines, buildings, land, etc., and so repay themselves the money they have lent, while the stockholders lose all the money they have subscribed. On the other hand, if the railroad is very successful, the shareholders *may* receive more 12 money than the bondholders; for no matter how large the profits are, only the promised rate of interest is paid on the bonds, whereas the dividends paid to the stockholders will grow larger as the earnings of the railroad increase.

It is by corporations such as these that nearly all railroads and steamships are built and carried

13 on ; and thousands of mining and manufacturing companies of all kinds besides.

14 Stocks and bonds do not always remain in the hands of those who first own them ; for, if at any time the owner wants money for his stock or bonds, he has a right to sell them, and the man who buys them has the same rights that the first owner had.

Therefore stocks and bonds are bought and sold like other property, and millions of dollars are invested in them every year ; so it is important for every one to understand something about them.

Questions on Chapter XIV.

1. Is a railroad generally started in the same way that a mill is ?

2. If a company needs more money than is subscribed, how is it raised ?

3. Why do the directors wish to make it safe for people to lend them money ?

4. What promise do the directors generally make when they want to borrow money ? Why ?

5. What is written on the circulars which the directors publish ?

6. What does a man who lends money to a corporation receive in return for his money ?

7. If the railroad fails, of what value are the bonds ?

8. Why are bonds so called ?

9. What is done every year with the earnings of the railroad ?

10. What is a sinking fund ?

11. Who runs the greater risk of losing his money, the shareholder or the bondholder ? Why ?

12. If the railroad is successful, whose profit will be the greater, the shareholders' or the bondholders' ? Why ?

13. What enterprises besides mills and railroads are carried on by corporations ?

14. Do stocks and bonds always remain in the possession of those who first owned them ? How are they sold ?

Let the children tell about any corporation of which they know, its officers, etc.

CHAPTER XV.

WHAT IS A STRIKE?

PROBABLY you have all heard of "strikes," and very likely some of you know what they are ; but there may be those among you who do not, so we will first explain what a strike is, and then tell you something about them.

- When workmen become dissatisfied with their wages, or their work, or for any other reason,
- 1 they sometimes refuse to work until their employers will grant what they wish. This is what is called a strike. As the men say, they "strike for higher pay ;" or whatever it may be.
 - 2 Sometimes the wages have been lowered, and the strike is a protest against this ; sometimes the men think the wages ought to be raised, and they strike for an increase.

What is called the right of striking is nothing more or less than the right of a man or woman to refuse to work for the pay that is offered. "It takes two to make a bargain," and when

one man makes an offer to a second man, the second man has a right to accept or not as he pleases. But the word "strike" is used only when a number of persons combine together, and agree not to work except for certain wages.

Why wages are sometimes lowered, and why they cannot always be raised, we will now try to show you, and will take a strike in a mill as an example.

We have already told you where the money to start a mill comes from, what the expenses of a mill are,¹ how money is raised to pay the 3 workmen's wages, and what the dividends are. Enough money is generally subscribed at the start to pay the men's wages for some time; but after that the mill must earn enough to 4 pay all the expenses. For people will not go on subscribing money to any mill which cannot sell its cloth, because, when people subscribe 5 money, they expect to get a profit on it; and a mill cannot go on running and paying dividends if it does not sell its cloth, or if it only sells it for a very small price. Here is a somewhat similar case. A boy named Joe 6 wanted Henry to go shares with him in buying a knife. Joe told Henry that, if he would

¹ Have the children name the expenses of a mill.

- help him to buy a jack-knife, he could carve wooden toys with it and sell them; and that he would pay part of what he got to Henry, because Henry owned part of the knife which Joe carved with. So Henry gave Joe some money, and together they bought the knife. If Joe succeeded, Henry would share the money, or profits, earned by the sale of the toys. Now suppose Joe did not sell his toys, and suppose too that he had quite worn out the
- 7 jack-knife in carving them; then Joe could not share his earnings with Henry, because there were no earnings to share. In this case, do you think Henry would go shares with Joe in buying any more knives? I think not. Henry was willing to do this at first, because he thought that Joe would succeed in selling his toys; but, as soon as he saw that the money he had subscribed was lost, he refused to buy any more knives with Joe. Henry had taken part of his savings to buy his share in the knife, and did not wish to lose them in that way again.
- 8 So it is with a mill; it must sell its cloth, or it cannot carry on business; and unless it does this, nobody will continue to subscribe money to keep it running, no matter how much the mill-owners may need the money.

All through the history of the world, there are accounts of times of prosperity followed by hard times and poverty. There are good reasons for these changes; but it would take too long to explain them here. During these hard seasons, mill-owners often find that more cloth has been made than people will buy, or that people feel too poor to buy largely. In such cases, the directors must do one of two things. They must close the mill, or they must sell the cloth at a lower price; and if more cloth is made than can be sold, it must be put in storehouses. Of course, the stored cloth brings in no money, and what *is* sold brings in less than usual. As the mill earns much less than it did before, the expenses must be cut down. First, the stock-holders get no dividends on the money they subscribed; and second, the workmen's wages are lowered, or else the mill is run on half-time, so that the men get less pay. As the mill hand expects his wages for the work he does, so his employer expects a return for the money he has saved and put into the mill. But in bad times this cannot be done, and then it is hard for all. It is hard for the people who subscribed money to build the mill to get no return for it, and it is hard for the workmen to make fifty

cents do the work of a dollar. Under these
 13 circumstances the men sometimes refuse to
 work for reduced wages, and then there is
 a "strike."

14 Let us suppose that there was a cotton mill
 in the town of Greenfield, which had been
 started by fifty men, who had taken their sav-
 ings and subscribed to the business. After a
 time, so much cotton cloth came into the market
 that the mill could not sell its goods at a high
 15 price. But the directors thought it better to
 sell their goods for whatever they could get for
 them, than to let them lie idle in the store-
 houses. In this case, the mill earned but little
 money; and as this little had to pay all the
 expenses, these of course had to be reduced.
 16 The wages were lowered, and the subscribers,
 i. e. shareholders, got no dividends.

There were many men and women employed
 in this mill, and they were naturally much dis-
 contented at this state of things. The men met
 together, and one man, named Sam Piper, said,
 17 "Let's *make* the owners pay us the same wages
 we have always had. We can, if we strike.
 We do the same work we have always done;
 and they want to cheat us." "That's so," said
 another shiftless man, who was always in debt;

"it was hard enough to get on as it was before, but we can't get on with less than we've had. We'll stop working." "Yes," cried most of the rest, "so we will." "But," objected one man, named Dick Field, "how can we get on with no wages at all?" "O," said Sam Piper, "we will go on credit till we've made the owners pay us what we ought to have." "Well," said another man, "we shall have debts enough to pay off, even if we get what we want, at the end of six weeks." "Yes," said Dick Field, "how will it be if we are out of work two months, and then have to take just what they offer us after all?" "O, don't think of that," exclaimed the shiftless man, "we will have our rights first."

So the workmen, led by Sam Piper, stopped working. Every week they went to the directors, and asked if they could have the wages they wanted. Every week the directors said, "We can't give you the wages you ask for, because we can't afford to." This Sam Piper and his friends did not understand or believe. But Dick Field knew more about it; he saw why the mill could not pay higher wages; and he and some of the other men would have gone back to work, if Piper and the rest had not

threatened to burn the house of any man who would work for low wages. Thus the men who were willing to work were forced to be idle by those who were not willing to work; and as few had saved enough money to carry them
 21 through weeks of idleness, they had to run in debt. But as time went on, butchers and gro-
 22 cers demanded payment; they could not afford to give their goods away, and they needed their money. The workmen were in a sad state. Sam Piper, however, said, "O, wait, and we shall get the wages we want." But idleness does not make waiting seem short. The men began to vow vengeance on their employers. They were hungry and angry, and inflamed their anger with drink, and had nightly meet-
 23 ings to talk over their troubles. One night, after much drinking, the men suddenly exclaimed that they would burn down the mill, and so revenge themselves on their employers. They collected in a large crowd and rushed to the mill, broke open the doors and windows, broke the machinery, and set fire to the building. Soon all was burned to the ground, and nothing was to be seen the next day but a
 24 smoking ruin. The leaders had, however, been recognized and caught by other townsmen, who

had rushed to see what was happening, and were quickly lodged in jail, where for weeks, and perhaps for months, they got no wages at all.

Now let us see what all this had done for the workmen, and how it affected other people. By striking, the men had run themselves 25 deeply into debt, and were no longer trusted by the grocers and storekeepers. By burning 26 down the mill, they had destroyed the property of the mill-owners, who lost all their money. The mill-owners could not afford to rebuild the mill, and even if they could have started it again, they could not have afforded to give 27 higher wages than before, because they had just lost so much money. So the men were thrown out of work altogether, and got no wages at all. By burning the mill, they had destroyed the machinery that gave them work; it was like killing the goose that laid the golden eggs. 28 Besides all this, the strike brought other trouble. When the mill was burned, a large amount of money's worth was lost forever, and all men were poorer for that loss. To illustrate 29 what we mean, let us suppose that a mob of men in the town of Hamburg should get angry with a dealer in wheat, and tear down his

storehouses, and throw all his tons of wheat into the sea, there would be just so much less food for the people of Hamburg to eat. And so, when a mill is destroyed, the material used in building it is wasted and lost, and there is just so much less material in the world for all men to use.

Questions on Chapter XV.

1. What is a strike ?
2. What sometimes causes a strike ?
3. Do you remember what the expenses of a mill are ? And can you tell how a mill is started ?
4. After a mill is fairly started, what must it do ?
5. Why will not people go on subscribing money to a mill which cannot sell its cloth ?
6. Illustrate by the story of Henry and Joe.
7. What happened to Joe when he could not sell the toys he had made ?
8. Why then is it important for a mill to sell the cloth it makes ?
9. Does it ever happen that a mill makes more cloth than it can sell ? When ?
10. What must the directors do then ?
11. Tell how the directors cut down the expenses.
12. Why is this hard for the people who subscribed money to build the mill ?
13. It is also hard for the workmen, and what do they sometimes do ?

14. How was the mill in Greenfield started? After it was built, were cotton cloths bringing a high or a low price in the market?

15. What did the directors do? Why?

16. What effect did the low price of the cloth have on the wages and dividends? Why?

17. What did the workmen say when they met together?

18. What did the men decide to do?

19. What did the mill-owners tell them, when they asked for higher wages?

20. Why were some of the men ready to go back to work? Why did they not?

21. How did the men manage to live without earning any wages?

22. What did the storekeepers at last tell the men?

23. What happened one night when all the men were angry?

24. What became of the leaders in this crime?

25. Had burning the mill done the strikers any good? Why not?

26. Tell the effect of the fire on the mill-owners; on the people who had subscribed money to the mill.

27. If the mill-owners had been able to start the mill again, would the workmen probably have got high wages? Why not?

28. Burning the mill was like what fable you have heard?

29. Why would all men have been poorer for the burning of the mill, even if it had been rebuilt? Illustrate.

CHAPTER XVI.

WHAT IS A STRIKE ? — (*continued.*)

WHEN bad times come, if a mill can earn even a little, it helps to tide the bad time
 1 over ; but if the workmen strike, the mill loses the chance of earning even that little. It is somewhat the same with a man's family ; when he cannot get much work to do, it is hard for them to manage, and when he cannot get any work at all, it is harder for them than ever. If the mill cannot sell its cloth at all, nor the man earn money at all, neither can get on at all.

Let us now tell you of another mill, in Hampton. Here wages were lowered, as they were in the Greenfield mill. The workmen
 2 also struck ; but when they could not afford to go without work any longer, they went to work at the lowered wages ; for they thought that "half a loaf was better than no bread." The
 3 strike caused loss to the owners, because, when

no goods were made, none could be sold (except what happened to be on hand), and also because it injures machinery to let it stand idle. The men lost their wages for the time they were 4 out of work; and not only this, but they had to take from what they were earning when they began to work again to pay their debts, and had to scrimp themselves and their families to do 5 this. But it did not bring so much loss to 6 either the owners or men as if the mill had been burned.

Now we will speak of a third mill, one in Whiteland. A set of thrifty men worked in this mill, and nearly all had some money laid by in a bank. When the Greenfield and Hampton mills lowered wages, the Whiteland mill had to do the same, and for the same reasons. When 7 the workmen met to talk the matter over, one of them, named Joseph Allen, said: "It seems 8 to me we should be very foolish to strike. All summer, the newspapers have been saying that the times are very bad everywhere, — that all manufactories and railroads are not earning much, and that they can't afford to pay their men as much as they have done. If we want to ask for higher wages, let's wait till times are good, when the mill-owners can afford to raise

our pay." "Yes," said David Crocker, "it's better to get a little than nothing at all, and I've got five children to look after." So the 9 men agreed not to strike, but to go on working until better times came; and what with their savings and hard economy they managed to get on. One day, after some months had gone by, Joseph Allen declared that he had seen in 10 the papers that cotton cloth had been selling for higher prices, while the cost of making it was the same, and that times were everywhere better. "Now," said he, "is our time." And he told the other men so, and they went to their employers, the mill-owners, and asked them if the times were not good enough for them to give higher wages.

11. The mill-owners had been considering the matter also, and, as they could now get a better price for their cloth and their expenses had not increased, they felt that they could afford to pay more in wages; so they agreed to the workmen's petition, and raised the wages. Thus the men 12 gained their point without a strike. The owners had lost, and the workmen had lost; but neither had lost as much as if there had been a strike. The owners had lost by the low price of cotton goods. The workmen had lost part

of their wages and were a little in debt; but ¹³ they were far more comfortably off than they would have been if they had struck and been out of work for weeks.

Which set of men do you think showed the most common sense?

Of course, workmen have a *right* to strike, *provided* that they injure no property and prevent no other men from working, and provided that they do not burden any one else with their support. Sometimes it is the only way by which they can set things right. As there are good workmen and bad workmen, so there are good employers and bad employers, and the right to strike is the workmen's protection ¹⁴ against a bad employer, who knows that if he is not just to his men they can refuse to work for him. The right to strike is, therefore, a necessary and unquestionable one, but the wisdom of actually striking work is quite another matter. One reason why workmen had better not do so is that high or low wages do not generally depend on the good or bad will of an employer. They depend upon more causes than we can explain, but we will try to point out one.

If a mill-owner has to pay a large price for ¹⁵ his raw cotton, his profit may not be large even

if he sells his cloth for a good price, and he may have to pay low wages. We will illustrate this by a little story.

Simon was a miller, who owned a grist-mill. He hired a man, named Jacob, to help him do his work. He bought some corn for \$20, and when it was ground he sold the meal for \$30. That left him \$10, out of which he paid Jacob \$4 as wages, and then had \$6 left for himself. Now if he could buy the corn at a low price, say \$10, and could still sell it for \$30, he could pay Jacob higher wages and yet make a good profit. But suppose that he had to pay \$25 for his corn, and sold it for \$30. He would then have only \$5 left, and he could not afford to keep Jacob, and would have to dismiss him. So you will see that, when the employer cannot make any profit, and the workmen must take low wages or none, a strike cannot help them.

It is simply a question for workmen to decide, whether a strike is wise or foolish, and it has generally been found to be more foolish than
 16 wise. In the last forty years, scarcely a strike has been successful in England or America; that is, workmen have struck work, gone without wages, and at last been forced to return to their work, often for the same pay that they refused in the first place.

Workmen should first calculate for how long 17 a time they can afford to be idle without bringing great distress on their families, and also whether, if successful, the increase for which they are striking will make up to them for the entire loss of wages during the strike.

What must we learn from all this? To "look 18 before we leap." If workmen are dissatisfied with their wages, let them first carefully examine the prices at which goods are selling in the markets, and, secondly, what the expenses of the mill are, and then see if their employers can give them more pay before they strike for it. Sometimes it is possible for workmen to avoid a strike, by choosing the wisest among them to look into these matters and talk them over with their employers, and so prevent much distress and misery. Above all, the workmen should be careful not to destroy property, first, 20 because it is wrong, and, secondly, because they gain nothing by it, and lose much.

Questions on Chapter XVI.

1. Why is it important, when times are bad, that a mill should be able to earn even a little?
2. When the wages were lowered in the Hampton mill, what did the men do?

3. Why was this a loss to the owners ?
4. Why was this a loss to the workmen ?
5. Why were the men worse off than they would have been if they had not struck ?
6. Was the loss greater, or less, than if the mill had been burned ? Why ?
7. What did the Whiteland mill hands do during this time ?
8. What did Joseph Allen tell the men ?
9. What did the men agree to do ? Why ?
10. Some months later, what did Joseph Allen learn from the newspapers, and what did he and the rest do ?
11. Why did the directors grant their request ?
12. Was there any loss in this case ? Who lost, and why ?
13. In which of the three towns was the loss the least ? Why ?
14. Why is the *right* of striking useful to workmen ?
15. Why may a mill-owner be unable to pay high wages, even when he sells his cloth at a high price ? Illustrate.
16. Have strikes generally been successful in England and America during the last forty years ?
17. Even when it seems reasonable to strike, what should men first be careful to find out before they strike ?
18. What is to be learned from the story of these strikes ?
19. When workmen are dissatisfied with their wages, what is the wisest plan to follow ?
20. In any case, why should they not destroy property ?

CHAPTER XVII.

DEBT AND SAVING.

SOMETIMES we see strange differences in the way in which two men in the same circumstances get on in the world. With the same amount of money, one will be prosperous and living in comfort, while the other will always be poor and in debt. Now why is this? A dollar is a dollar; and why is it that some people seem to do so much more with it than others?

It is a secret, but a secret that any one of you may learn if he will,—the secret of economy.¹ The first rule of it is, Always live within your income. Your income is the money that comes in every year,—what is earned, in fact. A man cannot always make his income as large as he would wish; but he can often regulate what money he will spend. And, of course, if he spends less than he receives, there

¹ Let the children look out the definition of *economy*.

is something left; that something, the *savings*, makes the difference between comfort and poverty. A well-known writer has truly said something like this: "Given, income one dollar a day, outgo ninety cents; result happiness. Given, income one dollar a day, outgo one dollar and ten cents; result misery."

When a man has a little money ahead, it frequently helps him to save more. The following story will give you an example of this.

- 1 John White and James Mason were two laborers, who each earned ten dollars a week. They both had families to support; but, while White had saved up fifty dollars and put it in the bank, Mason had saved nothing. Both these men could only get odd jobs in winter, so the
- 2 money earned in summer must be counted upon to support them through the winter months.

- As we have seen, John White was a thrifty man, desirous of making every dollar go as far
- 3 as he could. He knew that coal cost generally \$6 a ton in summer, and \$8 in winter. As he had money saved up, he could buy his four tons of coal in summer for \$24, while in winter his four tons would have cost him \$32. Thus,
 - 4 by buying his supply of coal when it was cheap, he saved \$8 a year.

Let us see how his neighbor, James Mason, managed. Mason had been running in debt all winter for all that he bought, and had not a dollar saved in any bank. He needed one ton of coal in summer, but had to buy it by the basketful, 5 and pay thirty cents a basket; so that by the time he had bought a ton, or twenty-five basketfuls, it had cost him \$7.50. During the fol- 6 lowing winter he had to buy three tons of coal, each by the basketful; and as coal was dearer in winter, he had to pay thirty-eight cents a basket. At this rate, a ton cost him \$9.50, 7 and three tons three times that, or \$28.50. If you add the price of the ton bought in summer, you will see that his coal for one year had cost him \$36.¹ So James Mason's yearly supply 8 of coal cost him \$36, John White's cost him \$24; and therefore James Mason had to pay 9 \$12 more than he need have done. So it was with flour, and sugar, and many other things, which White, by thought and saving, could buy in large quantities, and when they were cheap; while Mason, buying but a little at a time, had to pay *high prices*. Now Mason had also run in debt for his house-rent, and at last asked his

¹ Let the children make these calculations for themselves on the blackboard.

10 landlord, Robert Davis, to let him put off paying the rent for two months.

Davis could not afford to do this. So when Mason complained that he had a family to support, Davis answered: "I also have a family to support, and have saved the money to buy this house, and cannot let any one live in it rent-free. If you do not soon pay me, you must find another house."

At last, Davis had to turn Mason out of his house. Mason was very angry, and complained of Davis as a hard landlord and down on the poor. Mason seemed to think that Davis ought to save money, build a house, and then let him have it rent-free. He was unable to realize that Davis needed the money exactly as much as he himself did.

13 Sometimes, when a workman does not pay a debt, the person to whom he owes the money can obtain it directly from the employer; and this was the way in which Davis at last got his rent from Mason, who of course *had* to work, and yet had his wages taken to pay his debt. Truly this was harder than if he had saved money beforehand in order to be ready to pay his rent when it should become due.

This method of getting a debt paid, by going

to the employer and obliging him to pay a man's wages to his debtor, is called trusteeing wages, or, as they say in the West, garnisheeing wages, and we will explain it by the following true story.

In our great Western country, hundreds of engineers and firemen are employed on the railroads, and an experienced officer of one of these roads has told how a certain superintendent dealt with the workmen who ran in debt and had their wages trusteeed.

A fireman named Briggs would not pay his 14 butcher. The butcher brought his unpaid bill to a lawyer, who went to the superintendent of engineers and obliged him to pay Briggs's wages to the butcher. The superintendent then said to the fireman, "Mr. Briggs, if your wages are ever trusteeed again, you leave this railroad. We will employ no man who does not keep out of debt." Briggs answered, "I could get 15 along, if I only had higher wages." The superintendent replied, "We employ no men who 16 do not live within their means, whether they have one thousand dollars a year, or three hundred. There are other men with families who earn no more wages than you do. You must spend no more than you earn, or you leave us."

Out of many firemen and engineers whose wages were trusted, this superintendent found but three whose debts were unavoidable, and were caused by long illnesses, which had prevented their working. These three were paid part of their wages, while the rest of the money went towards the discharge of their debts, and they were not turned off. But all the others who ran in debt after this warning were dismissed, having been proved to be unworthy, thriftless men.

20 After this, men were rarely discharged from the railroad for debt; because, as soon as they felt that their future work and livelihood depended on their own economy, they were careful not to spend more than they earned.

21 The superintendent added, that, in the town where he lived, there were a number of engineers who had pretty houses with well-kept yards and flower-beds. These men had saved money to invest, so that it brought them in a small income, besides their wages. Other engineers had spent their money as they got it; their houses were poor and dirty, and they had nothing saved for sickness or old age.

Questions on Chapter XVII.

1. What can you tell about the laborers John White and James Mason ?

2. If they have work only in the summer, what must they do in order to provide for the winter ?

3. Is there any difference between the price of coal in summer and in winter ? About how much ?

4. How much might John sometimes save if he bought his coal in summer ?

5. How did James Mason buy his coal ?

6. At thirty cents per basket, how much did one ton of coal cost him ?

7. How much in winter, when it was thirty-eight cents ?

8. How much did three tons cost him in winter ? Add the ton bought in summer, and how much had four tons of coal cost James ?

9. How much had John's cost him ? Then how much did James lose by not saving money to buy his coal with ?

10. When Mason could not pay his house-rent, what did he ask his landlord to do ?

11. Why did Davis refuse ?

12. When Mason was at last turned out, what complaint did he make ? Was this fair ?

13. How did Davis at last get his rent ?

14. Tell about Briggs, the fireman, who had his wages trustee.

15. What complaint did Briggs make ?

16. What was the superintendent's reply ?

17. Among those who had their wages trustee

were there any whom the superintendent did not turn off? Why?

18. What was done for them?

19. What became of the thriftless men?

20. What effect did the superintendent's rule have on the men?

21. What did the superintendent say about some of the engineers in his town?

CHAPTER XVIII.

DEBT AND SAVING. — (*continued.*)

ANOTHER class of debts which *may* be of benefit are those undertaken by men of small means to buy horses, houses, land, or other durable property, by the sale of which they can at any time pay their debts. •

Here is an example. Mr. Brown felt that, if 1 he owned his house, he would have to pay less in taxes than he already did in rent. He bor- 2 rowed the money of a Mr. Taylor, agreeing that, if he did not pay it back within a certain number of years, Mr. Taylor should have the house. He bought the house, and worked hard every year to pay the interest on the borrowed money, and also to pay back part of the principal itself. After a few years of thrifty labor, he had 3 paid them both, and owned the house. If Mr. Brown had been unable to repay the borrowed money, Mr. Taylor could have taken the house 4 in payment of his debt, and so have lost nothing.

But, as a rule, those debts are to be condemned which are undertaken for food and clothing, or any article that is at once used up, because there is great risk that the lender will not be repaid. For example, if Mr. Brown had borrowed money for food and coal, and had afterwards failed to repay Mr. Taylor, the food and coal would have been used up long before, 5 and there would have been nothing which Mr. Taylor could take to make up for the money lent; and it would therefore have been a dead • loss to him, which perhaps he could ill afford. Moreover, it would be a disadvantage to Mr. Brown not to have repaid the money, because his neighbors would be unwilling to trust a man who did not pay his debts.

As we have said, all through the history of the world there have been times of plenty, followed by times of want and misery. Before closing this lesson on debt and saving, we will tell you a true story, showing how thrifty habits will enable men and women to get through hard times without suffering.

In 1868, or thereabouts, two Swedish cabinet-makers came from Sweden to Philadelphia. 6 There they found work; and out of their wages they saved enough money to send to their sis-

ter to pay her passage from Sweden to America. When she arrived, she found a good situation, and the three then managed to save more money, and sent enough to their old father to 7 pay off a mortgage on his farm. They continued their thrifty habits, and at last had laid by a considerable sum of money.

In 1873, a great panic occurred in money matters ; many banks closed, and could not pay coin for their paper ; merchants failed ; mills could not sell their goods, and had to stop running ; and many men were thrown out of employment. Among these men were the two Swedes ; but they had saved enough money 8 when they received good wages to support themselves now, without asking help. They still kept at work making sets of furniture for themselves. In the spring, one of them heard there was a demand for cabinet-making at St. Paul, Minnesota, and he and his wife moved there. Finding the report true, and good work to be had, he sent for his brother and sister, who were now both married. They set out immediately, taking with them the furniture the brothers had made. Afterwards, they bought 9 land outside of St. Paul, built themselves a house, and are now prospering at their trade.

Examine into the way that almost every fortune was made, and you will find that it was
 10 begun, as these Swedes began theirs, by hard work and economical habits; not by any wonderful stroke of luck, and certainly not by recklessness and waste.

By getting into debt, a man can put off payment, but he cannot avoid it altogether. He *must pay some time*. He cannot continue to
 11 get food to eat and coal to burn, and give nothing in exchange for them. As these articles must be paid for sooner or later, is it not far better to pay as you go, than to run up a debt which is sure to be a burden in the future? Besides, one debt is apt to bring on another: a man who borrows once is apt to borrow again to pay off the first loan, and very likely to increase the amount a little, so that the debt piles up, and he sees no way to pay at all. Much misery and many crimes can be traced to the first debt. It is the most expensive of all luxuries.

Saving is by no means easy, and economy is hard enough to practise; but in spite of the many difficulties in the way, and the up-hill work, plans for saving *can* be carried out, and not only the advantages we have named, but

many others, will reward any one who has the pluck to work for them.

Planning beforehand to keep within one's earnings or income, and save a little besides, insures independence, final gain, and sometimes even wealth.

Questions on Chapter XVIII.

1. What advantage did Mr. Brown think he could gain, if he owned a house instead of hiring one?
2. How did he raise the money to buy it?
3. Did he succeed in paying back the money?
4. If he had not paid it back, would Mr. Taylor have lost all his money? Why not?
5. If Mr. Brown had borrowed the money to pay for food and clothes, and had saved up none to pay the debt, could Mr. Taylor have got his money back? Why not?
6. What did the two Swedes do who came to this country in 1868?
7. When the sister came, what did they all three save money for?
8. When they were thrown out of employment, some years later, were they poorly off? Why?
9. What finally became of them?
10. How did the Swedes earn their success? Then whose plan of life was best, Mason's or the Swedes'?
11. Can a man continue to get food and coal, and give nothing in return for them?

CHAPTER XIX.

WHAT ARE SAVINGS BANKS ?

IF men and women who work for money earn a little more than they spend, they naturally look for some safe place to put their savings in. Some people tie their money up in stockings and hide it in closets; others put it in old teapots. All sorts of odd hiding-places are chosen. We have even heard of a man who put away some paper money in an old stove, and left it there for many years, until one day his wife, not knowing that the money was there, had the stove put up and made a fire in it, and the money all went up the chimney in smoke.

2 We will now tell you about a place where such money can be put, and where it can be invested so that it may earn something for its owner.

We will describe to you how such a place, which is called a savings bank, is established.

We will suppose that three or four honest and 3 respectable men agree in wishing to have such a bank started, and that they are willing to subscribe money to defray the first expenses. They then go to the Legislature¹ of the State, and ask permission to establish a savings bank, promising to conduct it according to the laws 4 of the State. The Legislature, if it is satisfied that the men are honest and responsible, gives them a paper, called a charter, which begins 5 somewhat as follows:—

Samuel Brown, William Evans, and Peter 6 Twing, and their associates and successors, are hereby made a corporation, by the name of the Quincy Savings Bank, — or whatever name be chosen. The associates are such men as Samuel Brown and his companions may choose to have join them.

These men then meet, and elect a president, 7 one or more vice-presidents, a board² of not less than nine persons called trustees,² a treasurer, clerk, and such other officers as may be thought necessary. Most of these men, except the trustees, are paid for the work they have 8 to do. It is a rule, that all officers shall be

¹ Ask the children what the *Legislature* is.

² Explain the derivation and meaning of *board* and *trustee*.

9 voted for once a year, except the treasurer, who holds office so long as the nine trustees wish, and also can be removed at their will. Every corporation may, at the yearly meeting, choose
 10 any citizen of the State to be a member. All this is established by the laws of Massachu-
 11 setts; but the laws are different in different States.

The savings bank is now organized, and when it is established in a suitable building, with vaults for the safe-keeping of money, and when it has its clerks and account-books, it is ready for business. Then people can come and
 12 place, or deposit, their money there for safe-keeping, and receive interest on it. And if, by putting your money in a savings bank, every dollar can be made to earn three cents a year for you, it is certainly better than to have it lying idle in an old teapot. The peo-
 13 ple who deposit money in a bank are called depositors, and their money, deposits.

14 If a man put one hundred dollars in a bank, which pays three per cent interest on a dollar, at the end of a year, how much interest will be paid him? ¹ Three dollars. Then, in this case, the money saved has, instead of lying idle, been

¹ Let the children answer this themselves.

made to earn in one year three dollars for its owner.

Many of the people who put money in a bank think that the dollars stay there just as if they were in a box. This is not the case.¹⁵ If it were, where do you think the trustees could get the money from to pay the officers' salaries, the interest on the money deposited in the bank, and other expenses?

A great part of the money which is depos-¹⁶ ited in a bank is lent again to certain people, or corporations, who pay the bank interest for the use of it. This is called *investing* the deposits;¹⁷ and it is the business of the bank officers to¹⁸ see that the savings are wisely lent. Of course, it is very necessary that the directors should lend money only to people, or corporations, who are steady and honest; for if they lent the savings intrusted to their care to unsteady or¹⁹ dishonest corporations or persons, the money would probably be wasted, the savings bank might be ruined, and the people who placed their money in it would lose their savings.

In order that the investments shall be prop-²⁰ erly made, the Legislature of Massachusetts has made laws, which allow savings banks to invest the deposits only in certain ways.

21 *First.* The trustees may lend money on mortgages on real estate. (Real estate simply means land, houses, or other buildings.) The laws also allow banks to lend only sixty per cent of the value of such property.

We will try to explain what this means. Peter Wright wishes to buy a piece of land which is worth one hundred dollars, but he has not the money. He feels that he can cultivate this ground, and in time make it profitable.

He goes to the officers of a savings bank and
 22 says : " I want to buy a piece of land, and have not money enough. The town values the land
 23 at one hundred dollars. I know that the law will not let you lend one hundred dollars on one hundred dollars' worth ; but it will let you lend sixty per cent of its value. That would be sixty dollars.¹ Now, if you will lend me sixty dollars, I can raise the rest of the money elsewhere. For every year that I keep the
 24 sixty dollars, I will pay you an interest of eight per cent, or \$4.80.¹ At the end of four years, I agree to pay back the principal. But in case I should fail to do this, or to pay the yearly interest, I will give you the right to take the land and sell it, in order to repay yourselves

¹ Let the children make these calculations themselves.

the sixty dollars which you lent me." The officers having agreed, Peter Wright gives them a paper, called a mortgage, in which he promises 25 to do all this. Peter Wright has the advantage 26 of being able to borrow the money, and so buy the land. The bank has the advantage of receiving \$4.80 a year on the sixty dollars lent; and, at the end of the given time, the bank either receives back the principal, or, if Peter Wright be unable to pay that, it has the right to seize the land.

To put it all in a few words, a mortgage is a 27 promise, from the borrower, to return at the end of a given time the money lent, and during that time to pay a yearly interest on that money; should the borrower fail to pay the interest, or at the end of the time be unable to pay back the principal, the land or other property goes in payment to the lender.

When property is thus taken possession of by the lender, he is said to have "foreclosed" 28 the mortgage. Sometimes, when both parties agree to it, a mortgage can be extended for another term of years.

Second. A savings bank may also lend money 29 to the United States; that is, it may buy United States bonds. Of course the United

States pays interest on the bonds to the bank, as it does to private people.

30 *Third.* In Massachusetts, banks also lend money to towns and cities in the State, and in return for the money lent them, these cities
31 and towns give to the banks bonds, on which interest is paid, as on the United States bonds.

Fourth. Banks may buy bonds of railroads
32 in the State, under certain conditions. These conditions are, that the railroads shall have been paying interest on their bonds,¹ and dividends on their stocks,¹ for two years. If the
33 railroad fail to pay interest, or principal, the bank can seize the land, engines, etc. belonging to the railroad, and sell them for its own advantage, thus repaying itself for the money lent.

Certain other investments of the deposits are
35 allowed by law, but they are not so important, and it would take too much time to explain them all. Savings banks generally lend their deposits to corporations, and receive five or six per cent interest for it. One twentieth of this interest is generally needed by the trustees to pay the salaries of the officers, to pay state taxes,

¹ Ask some child to tell what bonds are ; and another, what stocks are.

to pay the necessary expenses, and to provide for accidental losses. The remainder is divided among the depositors, giving them two and a half or three per cent, and sometimes four per cent interest. Of course, you will easily understand that, if the bank did not get a higher rate ³⁶ of interest than it gives the depositors, it would have no money to pay its expenses with, and could do no business.

To illustrate.¹ The deposits of the Oxford Savings Bank amounted to \$2,000,000. There is no law obliging a savings bank to keep any amount of the deposits on hand ; but, for convenience, we will suppose that one fourth of them, or \$500,000, were kept in reserve. The remaining three fourths (\$1,500,000) were lent, and brought in five per cent interest, or \$75,000. One twentieth, or five per cent of this sum, which is \$3,750, was needed to pay the necessary expenses. Subtract this from the whole earnings, and it leaves \$71,250 to be divided among all the depositors. As there were \$2,000,000 deposited, that would give what per cent to be paid on each dollar? Three and a half.

¹ Make the children go through these calculations on the blackboard.

No money should ever be deposited in any bank, or lent to any private individual, or corporation, without a written receipt being given for it. This receipt proves that the money has been lent, or deposited, and is generally written in a bank-book, which every depositor should have; or, in case of loaning money to private persons, it is written on a piece of paper.

If a man has a large sum of money in a bank, and should wish to take it all out, he must give notice to that effect from three to six months beforehand, and when the time is up, the bank must be ready to repay him. For the withdrawal of small amounts, no notice is necessary.

Some savings banks will receive only a limited sum from any one depositor.

Questions on Chapter XIX.

1. Where do many people put the money which they save?
2. Are there any better places than old teapots and stockings to put savings in? Why are they better?
3. If a number of men wish to start a savings bank, what must they first do?

4. What do they promise to the State ?
5. What does the State give them ?
6. Can you tell how the charter begins ?
7. What is the next step to be taken by these men ?
8. Are all the bank officers paid for what they do ?
9. How often must the officers be voted for ? Is the treasurer also elected every year ?
10. Whom may the corporation choose as members ?
11. Are the laws about savings banks the same in all States ?
12. After the bank is organized, what is done ?
13. What is a depositor ? What is a deposit ?
14. If you deposit one hundred dollars in a savings bank which gives three per cent interest, how much will it earn for you in one year ?
15. Does all the money put in a savings bank stay there ? Why not ?
16. What is done with the money ?
17. What does "to invest" mean ?
18. Who invests the deposits ?
19. Why must the directors of a savings bank be careful to lend money only to steady and honest persons and corporations ?
20. What has the Legislature of Massachusetts done to make sure that such investments shall be properly made ?
21. What is the first investment which the law allows banks to make ?
22. What can you tell about the man who wanted to borrow money to buy a piece of land ?
23. Are the savings banks allowed to lend sixty dollars on real estate worth sixty dollars ? What per cent of the value are savings banks allowed to lend ?

24. What does Peter Wright agree to do in exchange for what the bank lends him ?

25. What does he give the savings bank ? What is the paper called ?

26. Of what advantage is this arrangement to Peter Wright ? To the bank ?

27. Tell what a mortgage is.

28. What is foreclosing a mortgage ?

29. What is the second investment that the law of Massachusetts allows banks to make ?

30. The third ?

31. What do the banks receive in return for the money lent to cities and towns ?

32. Under what conditions may they lend money to railroads ?

33. When may a savings bank seize the property of a railroad ?

34. Name again the investments we have told you about, which the law of Massachusetts allows savings banks to make.

35. Are these the only investments allowed ?

36. Is the same rate of interest given to the depositors that the savings bank receives from its investments ? Why not ? Illustrate.

37. When you lend money to any one, what must you always receive in exchange ? Why ?

38. Can depositors draw large sums from the savings banks whenever they like ?

Tell anything you know of any particular savings bank.

CHAPTER XX.

WHAT ARE SAVINGS BANKS ? — (*continued.*)

PEOPLE fancy that they are doing well by themselves, if they can so invest their savings that they will bring them in a high rate of interest, eight, ten, or even twelve per cent. But the wisest business men declare, that, the higher the interest, the greater is the risk of losing the money invested.

The reason of this is, that a steady or safe corporation can borrow money at a low rate of interest; for the lenders feel sure that money ¹ intrusted to its care is safe. On the other hand, if a bank, or corporation of any kind, be starting an uncertain business, which may fail, ² it has to bribe people to invest in it, by offering a high rate of interest, — ten, twelve, or fourteen per cent, sometimes even more. An example of interest growing smaller as the investment grows more secure was given in Chapter VIII., when speaking of United States ³

bonds. When there was danger that the country might go to pieces, the government had to offer 7.3 per cent interest on its bonds to induce people to buy them. Now, the government being firmly established, people are eager to buy bonds paying only three per cent.

Not long ago, in 1880, there was an exposure of an enterprise which offered a high rate of interest, and so induced many poor and hard-working women to put their earnings in it. The history of this scheme it may be well to give here, as a warning to those who believe that the greater the interest, the greater the lasting gain.

A woman, calling herself Mrs. Howe, started this enterprise in Boston, under the name of the "Ladies' Deposit Company," where poor unmarried women and widows might place their savings. Mrs. Howe promised to pay ninety-six per cent interest. This was at the rate of \$8 interest a month on every \$100 deposited. She promised to give to every woman who put in \$100 the first three months' interest in advance, which was \$24. The same amount was promised for every three months, as long as she kept her deposit there; but she might take out her money whenever she liked. Thus, if she left

her money in for a year, at the end of that time she would receive \$96 in interest. Then, if she chose, she could take out her \$100, and would have in all \$196. No sum over \$1,000 was to be received.

If you recollect that the savings banks conducted on the best principles, after laying by money enough for running expenses and accidental losses, can only give from two to four per cent interest, you will readily understand how unreasonable and ridiculous Mrs. Howe's proposal was.

Mrs. Howe had not applied to the Legislature for any charter; there were no responsible trustees to make sure that the deposits were safely invested; nor was any yearly report published to show where the money for this enormous interest came from. When questioned as to where she obtained this money, she replied with some vague story, but no one knew clearly anything of the matter.

The high rate of interest offered tempted many women to put their money in Mrs. Howe's "bank." The interest was paid promptly; the depositors were delighted, and told their friends about their "bank," which was so much better than ordinary savings banks, with their

two, three, or four per cent interest. So a great many women came, most of them poor women, who did not know much about banks and investments, but who were eager to get the high rate of interest. But what was done with the deposits? and where did the money for the interest come from?

Mrs. Howe managed in the following way.
9 Jane Roper came first and put in \$100, and was paid the promised three months' interest of \$24 in advance. Mary Wood came next, and put in \$100. At the end of the year, Jane Roper came to take out her deposit, which was paid her, and the remaining interest due her, of \$72, was paid out of Mary Wood's money. Next came Hannah Ellis, and deposited \$100. When Mary Wood wanted to draw out her interest, it was paid out of Hannah Ellis's money. And so Mrs. Howe went on; paying the interest which became due, out of the money that was last put in.

A few of the women, who deposited their money with Mrs. Howe, drew out both principal and interest, as Jane Roper did. But the greater number of the depositors had such perfect trust in Mrs. Howe's management, that they did not even take out the interest as it

became due, but left it, with the principal, in her hands.

In the summer of 1880, a newspaper in Boston, called "The Daily Advertiser," found out about Mrs. Howe. Seeing plainly that there must be dishonest management, it called the attention of the public to the bank, by publishing an account of the deception so long carried on. At this, the women went in crowds to the bank, to take out their savings; but of the many depositors who applied, only the few ¹⁰ who came first had any of their money returned to them; the rest lost all they had deposited.

As we told you before, Mrs. Howe had not reinvested the money deposited in her care, as all directors of banks should, and she merely took the last woman's money and gave it to the first; so, though some were paid both interest and principal, it was done by taking it out of other poor women's deposits. Most of the depositors got neither promised interest nor principal. It was afterwards found that Mrs. Howe was taking the savings of these women for her own use, keeping a small portion in reserve to pay the interest to those who asked for it, and sometimes the principal, if they happened to call for it. She had bought a house with the

rest of the money, and was living in luxury on the savings of hundreds of hard-working women.
 11 Mrs. Howe was sent to prison for several years.

Questions on Chapter XX.

1. Why can a reliable corporation borrow money at a low rate of interest ?
 2. Why must an unsafe corporation offer a high rate ?
 3. Can you give an example of the rate of interest falling as an investment grows safer ?
 4. What rate of interest did Mrs. Howe promise to depositors ?
 5. Was this a safe rate of interest ? Why not ?
 6. Had Mrs. Howe's bank been established according to the laws of Massachusetts ? What had not been done that the law requires ?
 7. If she had had a charter, what would she have been obliged to do ?
 8. Did the depositors know where Mrs. Howe got the money she used to pay such high rates of interest with ?
 9. Many poor women invested their savings with Mrs. Howe : how did she manage to pay such high interest ? Was this right ?
 10. When this dishonesty was at last exposed, could Mrs. Howe pay back the deposits ? Why not ?
 11. Where was Mrs. Howe sent for her crime ?
- Would you rather put your money in a bank that promised you twenty per cent interest, or one that promised only four per cent ? Why ?

CHAPTER XXI.

ENDOWMENT ORDERS, 1895.

AS we have told you, Mrs. Howe's bank was simply a form of stealing, and for this she got several years' imprisonment. When she was released from jail she tried other cheating schemes, but they did not prove successful, and she died in great wretchedness and poverty.

Another form, however, of the same sort of fraud soon made its appearance, and we will try to tell you about it.

Mrs. Howe had no charter from the legislature of the State of Massachusetts, but the inventors of this new form of cheating took good care to get one.

In the year 1888, some men applied to the legislature of Massachusetts, and asked for a law to enable them to form what they called "Fraternal Beneficiary Organizations." This means "Brotherly Well-Doing Organizations," or, in other words, societies to enable the mem-

bers to help one another like brothers. Now this sounds harmless enough, and the law was passed. It allowed seven or more persons who lived in the State of Massachusetts to form a
 1 "Fraternal Beneficiary Corporation," for the payment of fixed sums during sickness of members, besides life insurance, and "endowments."

This law did not oblige the seven or more men, who were to start the concern, to invest the money they received in safe railroad bonds, mortgages, etc., as savings banks are obliged to do, but left all this to the seven men to decide. Under this law, one hundred and one endowment orders, as they were called, were allowed to do business in this state; and further, people were allowed to form the same kind of orders in other states, to be carried on in Massachusetts, under the Massachusetts law.

We will try to explain to you how these societies were managed: and we will call one of them the "Golden Grove." Let us suppose that seven men went to the town of Cheatem
 3 to start a society under this law. First, they put printed notices on fences, and sent little paper-covered books all about, asking every one to join the "Golden Grove." Second, they promised, in the name of the society, that

every one who would give \$5.00 to begin with, and sign a promise to pay \$2.00 a month for two years, should receive \$200 at the end of that time. Third, they promised that if a member fell ill he need not pay his dues, and the "Golden Grove" would give him a certain sum weekly. Fourth, if, while well, a member failed once to pay his \$2.00 a month he was to be fined, and if he failed to pay for three months he was to lose all the money he had put into the Treasury of the "Golden Grove;" and last, the Treasurer of this society might demand what were called "especial assessments" at any time he saw fit, and the subscribers must pay what he demanded. All this every one had to agree to, if he became a member of the "Golden Grove."

Now do you see what the "Golden Grove" promised? It received from a member, besides the \$5.00 entrance fee, \$2.00 a month for two years, or \$53 in all, except in case of sickness, and it promised in two years to give back \$200. What rate of interest would this be? Is this a safe rate of interest? It sounds like Mrs. Howe's promises. An ordinary savings bank, on receiving \$53, would promise to return the \$53, if the owner wished, and interest at the rate of 4 5

per cent a year; that is, the \$53 would earn for its owner \$2.12 a year.

The "Golden Grove," however, made far finer promises than a savings bank, and its managers invited people to gather together in Fraudom's Hall, and to become subscribers to this splendid society. The meeting was held, people came, and the Supreme Grand Master, the Supreme Treasurer, and other officers with big names, made speeches to them; the band played, and everything seemed very gay.

Most of the people present were delighted with the promises made to them, and put down their names in the Supreme Secretary's book as subscribers to this famous "Golden Grove." But some more careful men and women began to ask, "Where is the money to come from to pay us such a big interest on our money?" "Oh," said the Grand Treasurer, "this is only a branch society of a great big business, that can pay any interest; and besides, we shall give dances, and the members will pay fifty cents a ticket, and a great many other people will buy tickets too."

Now will any boy or girl tell me how many tickets would have to be sold to pay one man his \$200 in two years? By the end of that time

a man would have paid in \$53. Take that from \$200, and it leaves \$147 to be earned somehow to pay him, does it not? So there must be sold two hundred and ninety-four fifty-cent tickets in order to repay one member alone. Now if there were fifty members to pay, then fifty times this number of tickets must be sold, or 14,700 of them, besides paying for the hall, the lights, the music, and refreshments. Should you like, if you were one of the fifty, to trust to selling 14,700 tickets to have your money returned?

But a large number of people did believe in the promises made by the "Golden Grove," and you shall hear how it fared with them. They were, 7 for the most part, hard-working women and men who had not much money to spare, and could ill afford to lose what they had saved. The sad part of this story is that few who became members of the "Golden Grove" ever saw their money again.

How was it managed? Just as Mrs. Howe's bank was. Daniel Brophy, who subscribed first, was to be paid first; Samuel Toll, who subscribed next, was to be paid next; Mary Gay next, and so on. Daniel Brophy was paid by 8 the money of those who subscribed after him,

namely, Samuel Toll and Mary Gay; and so each in turn.

Such reports as were printed by these societies were carefully made to conceal the facts, and so long as subscribers got paid, they did not ask where the money came from to pay them. The Supreme Treasurer, as we have told you, had power to make the subscribers pay such sums of money as he called for, under the name of assessments. He did this from time to time, and so got other money from the members, besides the regular subscriptions of \$2.00 a month. This money was used to pay the first subscribers, when their certificates, or "bonds," as they were called, became due. Flocks of people rushed into this order, or society, and those who got their money back reported well of it, and that led more and more people to join it. Part of the money was used as we have told you, the rest was taken by the Supreme Grand Master and the Supreme Treasurer and Secretary and other officers for themselves; in fact, about one-third of the money subscribed was apparently so used.

Now you can see that, if each subscriber put in only \$53, and each, when his two years were up, took out \$200, pretty soon the money would

give out, in spite of the tickets sold. Each new member put in only \$53, to which must be added the assessments ; but each was owed \$200. At last a day came when it took all that had not been used by the Supreme Officers to keep the promises and make the payments that had become due. Consequently, when the next lot of members came to get their payments, it was discovered that the Supreme Treasurer had no money to give them ; it was all gone.

So ended the "Golden Grove." About nine people in every hundred who subscribed got their \$53 back, and the enormous interest of 10 \$147 ; the Supreme Officers got most of the remainder, and ninety-one people out of every hundred who subscribed lost almost all their money.

In 1893 the law of 1888 was repealed, and all such societies were forbidden. A man was commissioned by the state to close the business of all the orders, and here are some figures, taken from this commissioner's report, showing how much money was lost, and how much cheating was done by the endowment orders altogether: \$12,500,000 was paid in by the members ; of this \$3,000,000 was paid back to those who had put their money in first, and whose certificates became due first ; \$2,000,000

was paid to sick members; \$4,000,000 went into the pockets of the promoters and officers. This left \$3,500,000 to be divided among the remainder of the subscribers, who got about \$10.60 apiece. Should you like to subscribe \$53, and also pay "assessments" at the will of the Treasurer, and then receive only \$10.60? Yet such was the fate of 330,000 of the members of these endowment orders. Only nine men in every hundred received the money
 11 promised them; the rest was pocketed by the officers, with the exception of \$10.60 apiece we have spoken of.

We wish to tell you another thing about this matter. It is that, during this time, the deposits in the savings banks grew less and less. This happened because people put their savings into the Fraternal Beneficiary Societies; and as all these failed, and had no money left, such people as had put money into them lost it, instead of having it in some safe savings bank. Indeed, the money would have been far better kept in their purses than put into the Treasury of any one of these societies.

We have told you that, in 1893, a law was passed putting a stop to such endowment orders as we have described. A still stronger one was

passed in 1894 forbidding any similar concern, which might be started in any other state, to do business in Massachusetts.

We have told you that if a bank or corporation organize a risky business, it has to tempt people to invest their money in it and share the risk by offering a high rate of interest. But Mrs. Howe and the promoters and managers of the endowment orders could only have meant from the beginning to defraud the poor men and women who trusted them. Again, we repeat, a high rate of interest is unsafe, and such rates as were offered by Mrs. Howe and the endowment societies meant robbery of one sort or another.

Benefit societies founded on safe calculations, and honestly and carefully managed, are a great help to those who join them, but you may be sure that such a concern is not honest, if a very large interest is offered to induce you to put your money into it.

Questions on Chapter XXI.

1. Not very long after Mrs. Howe's failure, a new set of frauds were begun, called "Fraternal Beneficiary Organizations." What were these started for?
2. These Societies were started by seven men. Can

you tell anything about the law which, owing to their influence, was passed through the Massachusetts legislature ?

3. Can you tell me how one of these societies, called the "Golden Grove" was started ? What were some of its rules ?

4. How much money did a member have to put into the "Golden Grove" ? How much would he take out at the end of two years ? Then what interest would this give per year ?

5. What rate of interest do safe savings banks give ?

6. Did anybody ask how such a large interest was to be paid by the "Golden Grove" and where the money was coming from ?

7. What sort of people were most of the members of this Society ?

8. Some of the members really received their \$200; how were they paid ?

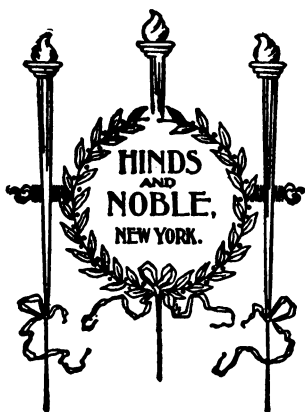
9. What were the powers of the Supreme Treasurer and other officers of the Society ? Did they keep their promises ?

10. What became of all the money subscribed to the "Golden Grove" Society ? Who received it ?

11. How much money did the members of the Massachusetts Fraternal Beneficiary Societies receive, for what they paid in ?

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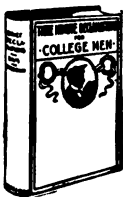


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